

ECONOMIC
AND
SOCIAL COUNCILGENERAL
E/CN.12/AC.36/11/Rev.1
27 May 1957
ENGLISH
ORIGINAL: SPANISHECONOMIC COMMISSION FOR LATIN AMERICA
Seventh session
La Paz, Bolivia

ECONOMIC DEVELOPMENT, INDUSTRY AND ENERGY

Report of Committee II

Committee II on Economic Development, Industry and Energy held five meetings from 20 to 25 May 1957 under the chairmanship of Mr. Ricardo Torres Gaitán, representative of Mexico, Mr. Rubén Mondragón, representative of Honduras, was elected Rapporteur. All or some of the meetings were attended by the Representatives of Argentina, Bolivia, Brazil, Cuba, Chile, Costa Rica, Dominican Republic, Ecuador, El Salvador, France, Guatemala, Honduras, Mexico, Nicaragua, Netherlands, Panama, Paraguay, Peru, United Kingdom, United States of America, Uruguay and Venezuela, as well as by observers from the United Nations Food and Agriculture Organization and the International Monetary Fund and from the following countries and organizations: Bulgaria, Czechoslovakia, the Federal Republic of Germany, Italy, Japan, Romania, Union of Soviet Socialist Republics, /Inter-American Economic

Inter-American Economic and Social Council, the General Agreement on Tariffs and Trade, the Inter-Governmental Committee for European Migration, World Jewish Congress, International Confederation of Free Trade Unions, International Federation of Women Lawyers and World League of Young Men's Christian Associations.

The discussions held in Committee II were centred around the following subjects:

1. Economic development problems and policies
 - (a) External vulnerability of the Latin American countries and remedial measures.
 - (b) Disequilibrium between agricultural and industrial development and its implications for Government policy
 - (c) Problems arising from the growth of the labour force in relation to changes in the economic structure
 - (d) Foreign capital and the transmission of technology
 - (e) The technique of analysis and projections in the programming of economic development
2. Economic development and integration of Central America
3. Social aspects of economic development
4. Technical assistance for economic development
5. Industry, energy and mining problems
 - (a) The industrial sector
 - (b) Energy
 - (c) Trends and prospects in the exploitation of mineral resources.

1. Economic development problems and policy

- /(a) External vulnerability

But most of all, European emigration is a social element.

It contributes to the creation of a stable hard-working middle class and to demographic development; sons of emigrants are true Venezuelans, Argentines or Chileans.

Obviously, not all the emigrants fit into the somewhat ideal picture I have just painted.

The task of my organization, however, is precisely to seek not only an increase in the volume of emigration from Europe, but also to improve its quality. To achieve this, ICEM, in addition to giving financial assistance to the emigrant and his family for their journey overseas, has also concentrated its efforts on the selection of high-quality elements, and in facilitating the placing and integration of these new elements after their arrival in their new country.

In Italy and Greece, for instance, ICEM has a chain of offices, and officials who co-operate actively with the Governments to disseminate information, organize professional training courses, and to obtain a more satisfactory professional, moral, physical and political selection of emigration candidates.

In the countries of this continent ICEM also co-operates, seeking work opportunities for the emigrants and facilitating their placing. In Argentina, Brazil, Chile and Colombia, this co-operation has existed for some years, and has produced excellent results. I am at present engaged in studying a similar programme with the Government of Venezuela.

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ICEM has also co-operated, and continues to do so, with several South American Governments, in close relationship with ILO and FAO, and with the valuable advice of ECLA, in technical assistance for improvement of employment services and placing of labour, and in the preparation of development plans and agricultural colonization.

To mention figures, and stressing that emigration through ICEM is supplementary to that represented by persons who emigrate individually, I would like you to know that in 5 years our organization has transported 160,000 persons to South America alone, while the overall total for the same period was 580,000. The estimates for 1957 are 42,000 and 196,000, respectively.

These figures may not be very impressive when compared with the population of the continent, but they undeniably represent a substantial contribution.

ICEM has no set policy. It is nothing more than the servant of the Governments and peoples which constitute it. For this reason I hope that, through ICEM, I am expressing the point of view and sincere desire of the European Governments members of ICEM when I say in conclusion that these European countries hope, by sending their sons as emigrants to South America, to take part and co-operate with their blood in the economic and social development of this great continent.

(c) Problems arising from the growth of the labour force in relation to changes in the economic structure

The importance of this topic gave rise to lengthy discussion within the Committee, which unanimously agreed that the fact that the rate of growth of the population in Latin America was more rapid than anywhere else in the world, raised not only demographic problems but others connected with the relative availability of factors of production, which influenced possible economic development policies. It was recognized that in young countries, like those of Latin America, the age pyramid of the population was of a triangular type, with a high proportion of children under fifteen and not of working age. Attention was also called to the disparity between the rates of growth of the urban and rural populations and to the problems involved in the establishment of urban centres which have to be provided with housing facilities, sanitary installations, etc.

One of the characteristics of under-developed countries was a production pattern in which a high percentage of the labour force was employed in primary activities. Moreover, Latin America displayed a peculiar feature; services accounted for a relatively high proportion of the labour force, a fact which reflected certain weaknesses in the structure of the economy.

The statements of all the delegations were concentrated on two basic problems, namely, disemployment, training and the adjustment of rural labour to urban conditions. They agreed that the most careful attention should be devoted to disguised unemployment in the agricultural sector. As regards training,

the conclusion was unhesitatingly reached that current educational methods could not satisfy the exigencies of economic development and that their rate of improvement had been very slow. The Committee felt that it was necessary to explore educational methods which would enable the labour force to receive both quantitative and qualitative training. Several delegations described the work which was being carried out in their respective countries in connexion with the training of the labour force, and expressed the desire that the secretariat, when studying the investment programmes, should pay due attention to the investment required for preparing the human element needed to carry out such programmes. Attention was also drawn to the social problems which would arise in adapting the rural dweller to industrial and urban life.

(d) Foreign capital and transmission of technology

The secretariat presented a short paper as a basis for discussion of this topic. This stressed, on the one hand, the role of foreign capital as a supplement to domestic saving in the investment required for development, and, on the other hand, an aspect not previously dealt with in the secretariat studies, i.e., that of the transmission of foreign technology, which frequently accompanied direct private investment. A distinction was drawn between cases in which technology was brought into the recipient country as an element inherent in the investment of foreign capital, together with technical and research services and training programmes, and those where access to technology could be obtained without giving up financial control of the local enterprise. This was achieved by means of patent licenses and by management and consultant services' contracts. Attention was drawn to the various advantages of such contracts,

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which were becoming increasingly common.

In the course of the discussion, the delegation referred to those and other supplementary aspects of the problems of adaptation, not mere adoption, of foreign technology in countries where the structure of the factors of production is not the same as in the more highly developed countries. Modern technological progress stressed means of reducing costs - among them automation and operational research - which were not applicable in the under-developed countries where labour was relatively plentiful.

Another suggestion made was that a distinction should be drawn between technology proper and the techniques of management and organization, which were so defective in Latin America as to require stronger action on the part of entrepreneurs and the State. It was also pointed out that, in many cases, the Latin American countries were confronted by monopolies in patents, and other aspects of a closed technology, and that sometimes when patents were freely obtainable they were for obsolescent processes. The need seemed obvious for the countries of Latin America to co-operate with one another in improving technology and establishing regional institutes in that field.

A further element to be considered, to which recognition was already being accorded in some countries, was that productivity ought not to be visualized merely from the point of view of the operation of the enterprise, as was customary, but from the national standpoint, in the sense that projects should be /evaluated in

evaluated in terms of the more efficient utilization of natural resources.

Lastly, it was pointed out that the transmission of technology had a world-wide character. In the industrially-developed countries themselves investments were made by other countries at a similar stage of development, and were accompanied by important technological advances. There were also specific programmes for technological exchanges between such countries that did not involve movements of capital. One delegation stressed that technological progress on the part of private enterprises constituted a whole complex that might be more useful than the provision of individual experts by the Governments.

(c) The technique of analysis and projections in the programming of economic development

The secretariat presented a document analysing the need for a well-conceived and wisely-directed economic policy, adapted to the conditions of each country, if a satisfactory rate of development was to be obtained. There were various ways of visualizing a policy of that type. One of them would consist in the co-ordinated creation of over-all conditions favourable to development, and would represent a step forward in comparison to the lack of guiding principles or system prevalent in the Latin American countries. However, more rational utilization of available resources might better be achieved through an economic policy based on a development programme. The document went on to outline the methodology

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for the preparation of projections developed by ECLA and presented both in earlier documents, such as the Introduction of the Technique to Programming (E/CN.12/363) and the studies on the economic development of Brazil (E/CN.12/364) and Colombia (E/CN.12/365), and in the paper presented to the current session on External disequilibrium in Latin America's economic development: the case of Mexico (E/CN.12/428 and Add.1). The conclusion was reached that the technique of projections was a useful instrument not only when economic policy was based on a programme but also to provide guidance for other types of development policy and for public and private investment. It was also stressed that the programming effort did not mean an extension of the field of State intervention to the detriment of private enterprise, but that it could be utilized to create conditions favourable to the development of the private sector of the economy. Finally, the preliminary versions of the Manual on Economic Development projects (E/CN.12/446, Add.1), prepared by the Secretariat and the Technical Assistance Administration, and of the study entitled Public Administration in the policy of development (Conference Room Paper N°3) were submitted for consideration by the Committee.

With respect to development policy and the utilization of the method of projections for this purpose, the Committee engaged in a comprehensive technical discussion, in the course of which some representatives stressed the usefulness of applying the input-output matrix to obtain a better grasp of the inter-relationships of the economic system. Attention was also called to the desirability of acquainting the general public with the idea of programming, as widespread support was an indispensable requisite for the success of programmes.

Several representatives analysed what had been done in their respective countries in the field of programming.

During the discussions a detailed statement was made on the importance of a satisfactory methodology for the preparation and evaluation of projects, and several delegations expressed the opinion that it was important for the Manual presented to be made as widely known as possible, once it had been revised and published.

The Committee also accorded a favourable reception to the study on public administration, and the importance of satisfactory administration for the formulation and execution of a development policy was once again reaffirmed, as was also the desirability of continuing the studies and analyses on the topic in question.

2. Economic development and integration of Central America

The delegations noted the report of the Central American Economic Co-operation Committee on its activities during 1956 (E/CN.12/431). In February 1957 the Committee held its fourth regular session, and, inter alia, resolutions were adopted recommending to the member Governments that they should sign the proposed Multilateral Treaty on Free Trade and Economic Integration and the agreement on a system of Central American integration industries, drafted by the Committee. Note was also taken of the Secretariat's report on its studies and activities and of the work carried out by the experts provided under the Expanded Technical Assistance Programme (TAA, FAO,

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ILO and UNESCO) at the request of Central American Governments for the carrying out of specific projects forming part of the integration programme. The latter had progressed considerably, and it was pointed out that in many of its aspects the stage of programming and background studies was being left behind, and the recommendations of the Economic Co-operation Committee were being applied at governmental level and specific projects put into effect.

The progress achieved in the project for a pulp and paper mill in Central America to be established in Honduras, was considered especially worthy of mention, as were also the advances made in the study of problems relating to cotton and the textile industry, electric energy, facilitation of road transport among the Central American countries, statistical co-ordination, standard customs nomenclature and in the study of tariff levelling. It was noted with equal satisfaction that the Central American Research Institute for Industry and the Advanced School of Public Administration for Central America, established in Guatemala and Costa Rica, respectively, with the co-operation of the United Nations, were continuing to develop their activities. Lastly, the importance attaching to the study recently undertaken on the agricultural aspect of Central American integration was recognized.

In considering the programme as a whole, the Committee deemed it advisable to recommend to the Governments of other Latin American countries that they study the procedures and

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mechanisms adopted by the Central American Economic Co-operation Committee, in view of their significance for other projects relating to commercial and industrial integration or complementarity. This was recorded in the draft resolution approved, which also took note of what had been achieved and congratulated the Committee on the progressive success of its work.

3. Social aspects of economic development

The studies which the secretariat had been carrying out in the sector in question, and which had been presented to the Committee, were related to the social aspects of economic development, the extension of knowledge in the socio-economic field and social welfare. The Committee approved a draft resolution, proposed by the delegations of Bolivia, Chile and Costa Rica, and recommended that such activities should be continued, that they should be related as closely as possible to economic development, and, in particular, that the Division of Social Affairs should advise Governments which so request it in the preparation of guiding principles or plans for research in the social field. The aim was for institutions to profit by the secretariat's over-all picture of the economy of most of the countries in the region. The delegations of the United Kingdom and the United States abstained from voting on the draft resolution on the grounds that its terms (i) suggested an extension of the activities of the secretariat of ECLA in the social field which might well divert efforts

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from the basic economic work of the secretariat; (ii) might lead to duplication of the activities of other United Nations bodies.

4. Technical assistance for economic development

The Committee discussed at length the problem of the advantages and disadvantages of the decentralization of technical assistance. Some delegations remarked that decentralization, at present being tried out as an experiment, was already showing a positive balance of benefits for the countries receiving technical assistance. They asserted that even if the possible administrative disadvantages of the new system were taken into account, it should be recognized that the advantages were of an essentially substantive nature. In fact, the existence of offices of the Technical Assistance Administration in Santiago and Mexico had been a fortunate expedient whereby the data collected by the ECLA secretariat on the economies of the region could be turned to account for the purposes of technical assistance. Other delegations declared that although their countries' individual experience was not so far conclusive, they supported the continuance of the decentralization system in view of the benefits acknowledged by the other countries of the region.

Lastly, the delegations of the United Kingdom and the United States explained that they were not in possession of data whereon to base an opinion as to the merits of the new

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system, and that they were awaiting the evaluation to be presented by the Secretary-General at the next session of the General Assembly of the United Nations. The United States delegation submitted a proposal which was not accepted, to the effect that the ECLA secretariat would only be authorized to inform the United Nations secretariat that some Governments, which had received technical assistance under the decentralization programme, considered that such assistance had been intensified and that it would be desirable to continue it.

After thorough discussion, the Committee approved - the delegation of the United Kingdom and the United States abstaining from voting - a draft resolution stating its interest in the continuance of the experiment in decentralizing technical assistance in Latin America, and requesting the Secretary-General to take into account, in evaluating the experimental decentralization of the Technical Assistance Administration services, the views of the Latin American Governments receiving such assistance.

Still in the field of technical assistance, the Committee unanimously approved a draft resolution recommending to the secretariat that it collaborate with TAA in preparing and keeping up to date a register of Latin American exports in the various fields of economic activity, as well as of the region's institutes of technological research, whose technical assistance might be of use to the member Governments.

At the request of the delegation of the United States, the secretariat made a full statement on its relations with the Technical Assistance Administration. It stressed the fact that the secretariat collaborated with the TAA offices in Santiago and Mexico in the preparation of their programmes, in the evaluation of the findings of the studies carried out, in the selection of experts and in the briefing of these latter, but that it did not itself directly provide any technical assistance to Governments.

5. Industry, energy and mining problems and policy

The Committee noted the Report of the Latin American Meeting of Experts on the Iron and Steel Making and Transforming Industries (E/CN.12/425), the Report of the Pulp and Paper Advisory Group in Latin America (E/CN.12/424) and the informative note on United Nations activities in connexion with nuclear energy (E/CN.12/447).

The problems confronting the iron and steel industry at Latin America's present stage of development were the subject of full discussion. Some delegations called attention to the magnitude of the financial resources which would be required for the expansion of iron and steel making in Latin America during the next decade, and to the need for studying new technological processes which might serve to reduce the volume of such resources. A large number of delegations expressed their satisfaction at the high technical level and the practical significance of the conclusions of the Latin American Meeting of Experts on the Iron and Steel Making and Transforming Industries, held at São Paulo. The Committee approved a draft resolution recommending to the secretariat that, with the co-operation of TAA and providing that its resources so

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permitted it should continue the studies in this field, and, with the co-operation of the Governments, of TIA and of specialized agencies, should convene, when the progress of the studies so justified, a meeting of experts to consider the studies carried out and suggest such modifications of the work programmes as they might deem desirable.

The United Kingdom delegation abstained from voting on the draft resolution on the grounds that: (i) it could not take note with satisfaction of the publication of the report of the Sao Paulo meeting since the United Kingdom Government had not yet received the report; (ii) the draft resolution placed too great a burden on the Secretariat by virtue of both the amount of work and its specialized technical nature. The United States delegation abstained for the same reasons and also in view of the danger of duplication, in certain of the studies, of work undertaken by the Inter-American Economic and Social Council, namely, in regard to standards.

The Committee noted the studies carried out to date by the Pulp and Paper Advisory Group organized by ECLA, FAO, and TIA. After completing its work in Argentina and Chile, the Group is to advise the Governments of Colombia, Mexico and Peru this year. A draft resolution, which was adopted unanimously, recommended that the work of the Advisory Group should be continued in the countries that so requested it and also that the secretariat should take steps to ensure that the

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Group organized standard budgets for investment in paper and pulp mills with a daily capacity of 50, 100 and 150 tons and that it should evaluate the possibilities of manufacturing such machinery in the countries of the region.

The economic aspects and prospects of nuclear energy for the under-developed economies were fully discussed in the Committee. The United Kingdom and French delegations made statements regarding the progress achieved in their respective countries in this field and the opportunities which their national specialized agencies were providing for the training of the specialized personnel required by the Latin American countries. The Committee unanimously approved a draft resolution recommending the secretariat to inform member Governments of the economic aspects of this problem of special importance to them. Also in the field of energy, the Committee approved unanimously a draft resolution recommending that the secretariat should keep in touch with the Governments of the Latin American countries with a view to ensuring that the utilization of rivers and lakes was effected on the basis of adequate planning by international technical commissions.

Lastly, the Committee unanimously approved a draft resolution submitted by the Bolivian delegation, requesting the secretariat, in co-operation with TAA, to sponsor a special meeting on the mining industry in Latin America for the purpose of studying, examining and recommending suitable measures for the improvement of this industry.

/The Committee

The Committee decided unanimously to record a vote of thanks to the Chairman, Rapporteur and secretariat for their efficient co-operation.