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Held at Caracas, Venezuela,
on Thursday, 4 May 1967, at 3:50 p.m.

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The position of the Latin American economy (continued)

Chairman: Mr. HERNANDEZ SOLIS (Venezuela)

Rapporteur: Mr. MENDEZ (Colombia)

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THE POSITION OF THE LATIN AMERICAN ECONOMY (continued)

Mr. PEREIRA SCUTO MAIOR (Brazil) expressed appreciation of the hospitality which Bolivar's native land had extended to the Commission for its twelfth session at which matters relating to the economic and social freedom of the Latin American peoples would be considered.

ECLA had played a historic role in the development of economic thinking and in formulating Latin American economic policy, and its work had worldwide repercussions, as testified by Mr. Prebisch's presence in the United Nations Conference on Trade and Development (UNCTAD). ECLA continued to think dynamically, as shown by the documentation submitted at the current session. He was particularly interested in two of the subjects dealt in the documents: the problems of the relatively less developed countries; and trade policy issues and Latin America's participation in the second United Nations Conference on Trade and Development.

The Montevideo Treaty and some of the resolutions adopted by the Latin American Free Trade Association (ALALC) reflected many of the ideas and measures proposed in document E/CN.12/773, which bore witness to the fact that Latin America was trying to accomplish at the regional level what it was asking for at the world level. However, it was the less advanced countries which were striving for balanced development, while the response at the level of the world economy was unsatisfactory.

The UNCTAD countries had pledged themselves to try to improve the international economic order. Three years later that pledge was still unfulfilled or had only been partially honoured: there was a lack of worldwide determination to adopt specific measures. The ECLA document suggested an excellent line of action: to enter into specific commitments to implement the UNCTAD recommendations partially but effectively, dispensing with vague promises not to introduce further restrictions, and to approach the problems from the standpoint of results.

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There were serious obstacles which made it difficult for the developing countries to secure an adequate share in the market of the developed world. Some of the problems related to prices and commodity agreements, for example, in the case of sugar and cocoa.

The document also mentioned the need for preferential treatment for manufactures and semi-manufactures from developing countries. Brazil supported the establishment of a system of general non-reciprocal and non-discriminatory preferences to be extended by the developed to the developing countries. To that end it was imperative to adopt a clear-cut policy decision at the national level.

The establishment of such a system would not, however, be sufficient in itself to ensure increased exports of manufactures and semi-manufactures; national effort, combined with technical assistance, was also required. Even then, that effort could be frustrated by quantitative restrictions, which seriously hampered the introduction of the new division of labour which was one of the aims of UNCTAD.

With regard to external financing, there had been a decline in net assistance because of the increase in external debt service payments. The funds of the international financing organizations might be increased under a joint agreement, but real external assistance could only increase, if its annual rate of increase was greater than the rate of increase in external debt service payments.

A supplementary financing scheme was being studied by UNCTAD and the need to increase external assistance to the developing countries was being discussed. Since it was unlikely, that the volume of external assistance could be significantly increased, the only result might be a dispersal of resources. Supplementary financing, however desirable, was meaningless without proper basic financing.

Now that the Development Decade had passed the half-way mark, it was impossible not to recognize that it had been unsatisfactory. It was to be hoped that the forthcoming decade, which had been called the decade of urgency, would not prove to be one of unfulfilled hopes.

/Mr. PREBISCH

Mr. PREBISCH (Secretary General of the United Nations Conference on Trade and Development) welcomed the appointment of Mr. Carlos Quintana as Executive Secretary of ECLA at a time when the decision of the Latin American Presidents to establish the common market was opening up new horizons for the region, and ECLA would thus have to shape its own thinking and that of others as well along different lines. The fact that the Presidents had decided to bring the common market into operation in fifteen instead of ten or twelve years was not important; what was important was that the political decision had been taken and that it should be carried out. It had been decided to work out a programme for the automatic reduction of customs duties and other trade restrictions, which meant that the stage of micro-negotiations that had brought ALALC to a standstill had come to an end. Nor was it any longer appropriate to discuss what the relationship might be between the Central American Common Market and ALALC, since the political decision had been taken to bring the common market into operation on the basis of those two entities. Moreover, the principle of more favourable treatment for the relatively less developed countries had been recognized. In the work of forming the common market ECLA would have the great responsibility of producing new ideas and formulas for promoting the enterprise and contributing towards the preparation of the necessary technical agreement.

The Presidents, however, had also recognized that there were serious difficulties in the way. In the industrial specialization implicit in the common market there would have to be an element of competition in order to induce industrialists to increase their productivity; with this increase the capacity of Latin American industry to absorb manpower would be lessened, which in turn could hinder progress towards the common market. It was essential for the enterprise that there should be, at the same time, a faster rate of investment, which meant mobilizing both internal resources and international financial co-operation.

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For the establishment of the common market it was also essential to accelerate the rate of economic development. The President of the United States had pointed out at a meeting of the Organization of American States that the rate per capita for Latin America should be 4 to 6 per cent per year. That was feasible provided that far-reaching structural changes were made and that ample external financial assistance was forthcoming.

The Presidents had further emphasized the role that Latin American entrepreneurs would have to play in the common market.

It would be necessary to mobilize technical and financial assistance in order to lessen its notorious inefficiency as compared with the initiative shown in other parts of the world so that real co-operation could be established between foreign and national enterprises and so that the latter could assimilate modern technology.

He believed that real progress towards the common market would be impossible unless a satisfactory formula was found for ensuring that the participating countries enjoyed reciprocal advantages, because a persistent trade deficit would retard progress towards the common market. In that connexion it was also advisable to re-explore the possibilities of working out a payments arrangement that would facilitate monetary adjustments in the Latin American region.

It was encouraging that President Johnson should have announced his intention of submitting to the United States Congress proposals relating to the establishment of a fund designed to compensate enterprises for any adjustments that the process of forming a common market might entail and to finance multinational projects. The idea of multinational projects had long been advocated in Latin America, and perhaps one of the industries that afforded the best prospects in that connexion was steel-making, of which the region already had some experience.

Some allusions had been made to the possible origin of the Declaration of Punta del Este, but it was quite clearly a purely Latin American undertaking based on a document prepared by nine Latin American

/economists. Latin

economists. Latin America's example might prompt Africa and Asia to follow the same course; again, Latin America might learn from other parts of the world. One of the objectives of the forthcoming United Nations Conference on Trade and Development was to facilitate such an exchange of experience.

With regard to preferential treatment for manufactures from the developing countries, to which the representative of Brazil had referred, the same idea had been mooted at the first Conference, where it had been supported by the United Kingdom and other European countries but not the United States. The fact that at Punta del Este President Johnson had endorsed the idea indicated a change of policy. It was of the utmost importance for Latin America to advocate a system of universal and non-discriminatory preferences benefiting all the developing countries. Otherwise, there would be a risk that the developing world might be divided into spheres of influence centering around vertical preferences. Geopolitical notions of assigning the foreign trade of certain developing countries to specific developed countries were current in some sectors.

The decision in favour of multilateral trade would long continue to influence trade patterns. Modern technology called for vast economic areas, such as the United States, the USSR and the European Common Market. Later, perhaps, there might be a Latin American, an African and an Asian area. But they could not be closed areas, because it was of vital importance for all of them to diversify not only the composition but also the markets of destination of their exports.

The bases for a world trade policy, including the subject of preferences, would be discussed at the next Conference on Trade and Development. Although the sudden abolition of the preferences enjoyed by the primary commodities of some developing countries could not be advocated, since it might do serious harm to the countries concerned, procedures for their gradual elimination would have to be devised. It should be borne in mind that the advantages obtained from the major countries were often illusory and too costly. In any event, Latin America should be co-operative and take a sympathetic view of the position of the countries in question.

/The problems

The problems with which the second Conference would have to deal included the transfer of international financial resources. It had already been shown that even the modest target of 1 per cent of national income fixed for the United Nations Development Decade had not been attained, while according to estimates of the International Bank, debt service was absorbing a steadily increasing proportion of incoming funds. In that context, the defects of the international monetary system would have to be discussed, as balance-of-payments difficulties often prevented the expansion of financial aid. One proposal to reform the system already existed: part of the additional monetary units resulting from the conversion of some of the funds into national currencies should be channelled through the International Bank in the form of loans to the developing countries. Transfers of resources might assume two forms: programme loans for basic development, and supplementary credit.

Some of the studies which UNCTAD was carrying out might be of interest to Latin America, for example, those relating to the socialist countries' trade with the rest of the world in general and with the developing countries in particular, and to the negotiation of sugar and cocoa agreements.

Mr. HENRIQUEZ (Netherlands) said that he wished to convey the gratitude of his delegation, for the hospitality extended by the Venezuelan Government. He also expressed his appreciation to Mr. Mayobre for his outstanding work in behalf of a more prosperous and integrated Latin America, and welcomed Mr. Carlos Quintana, the new Executive Secretary of ECLA, whose vast experience would undoubtedly greatly benefit the States members of the Commission.

Surinam, the Netherlands Antilles and the Netherlands were working together in the Economic Commission for Latin America, which provided a forum for the discussion and co-ordination of ideas on economic and social questions and whose efforts had recently led to the acceptance of an action programme by the Latin American Presidents. Although the history and culture of Surinam and the Netherlands Antilles

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had much in common, there were marked differences in their economies. Surinam was now one of the world's major exporters of bauxite and its vast hydroelectric potential had enabled it to produce large quantities of aluminium. The Central Planning Office had drawn up a ten-year development plan for the period 1955-65, population censuses had been taken and surveys of natural resources, particularly timber, had been carried out. A pulp manufacturing industry was to be established and, together with other industries based on timber, it was expected to become the second major bulwark of the country's economy. The third major sector was agricultural production, especially of rice and bananas, and the industries based on agriculture. Industrial development in the Netherlands Antilles, on the other hand, was based on two of the largest petroleum refineries in the world, whose output had been steadily declining since the petroleum-producing countries had started to operate their own refineries. An attempt had been made to offset the resulting unemployment by boosting the tourist trade.

Surinam and the Netherlands Antilles wholeheartedly supported international co-operation and economic integration, and had been gratified to note that at Punta del Este the Latin American Presidents had shown much interest in the Caribbean area, to which the Central American countries had promised to extend their trade and economic relationships. They also welcomed the establishment of the Caribbean Office, with headquarters at Port of Spain, and the intention expressed by the Executive Secretary of ECLA to include in the secretariat's work programme a study of economic integration possibilities for the Caribbean area.

The Netherlands hoped that the current session of the Commission would produce concrete conclusions on Latin American exports and specific proposals for consideration by the second session of the United Nations Conference on Trade and Development.

The meeting rose at 5.45 p.m.