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FOREST PRODUCTS AND THE PROPOSED LATIN AMERICAN  
COMMON MARKET \*

1. The whole range of Latin American trade in forest products is dealt with in this paper. In addition to wood in its simpler forms, the trade in pulp, paper and board, as well as of plywood, fibreboard and particle-board is discussed in relation to the proposed Latin American regional market.

Wood in its simpler forms is referred to along with agricultural commodities in the general secretariat paper dealing with the role of agricultural commodities in the proposed Latin American regional market (E/CN.12/499). In that paper wood imports, exports and trade balances are shown and the extent of intra-regional trade is commented on; wood is there defined as "wood round and semi-manufactured", or in other words industrial roundwood and sawnwood. From that paper it emerges that:

(a) Value of average annual Latin American exports of wood in 1955-57 was 97.2 million dollars, of which 84.1 million or 86.5 per cent was traded within the region, this being by far the highest intra-regional export percentage for the agricultural commodities listed.

(b) Value of total average Latin American imports of wood was 94.8 million dollars, of which 86.2 million or 90.8 per cent was traded within the region, this again being the highest intra-regional percentage for the agricultural commodities listed.

(c) On average in 1955-57, Latin America had a net annual export of wood to the value of 2.45 million dollars.

Thus the trade in wood has been and is preponderantly intra-regional, which is not surprising in view of the comparatively low price/bulk ratio of the commodity and the long distances to most of the markets and supply areas outside the region. It is the higher specifications and, with hardwoods, the high-priced "fine" timber, that sell to the United States, Europe and South Africa.

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\* Unedited text prepared by the Secretariat of FAO.

2. But the trade in "wood round and semi-manufactured" constitutes only a part of the total trade in forest products. For a more complete appreciation of the trade in forest products in relation to economic integration possibilities, it is necessary to take into account transactions not only in wood in its simpler forms, but also in the principal derived products of wood. The following table provides trade figures for primary and secondary wood products only. Completely processed articles such as paper manufactures, furniture, etc., the imports of which to many Latin American countries are substantial, are excluded from the table for lack of reasonable statistical cover. Nevertheless, the picture revealed by the table is one very different from that for crude wood alone.

Average values for 1955-57

(Thousands of dollars)

	<u>Exports</u>	<u>Imports</u>	<u>Net imports</u>
Wood and lumber (includes sleepers)	97 898	97 427	- 471
Plywood and fibreboard	1 520	5 577	4 057
Woodpulp	1 330	75 990	74 660
Newsprint	57	91 353	91 296
Other paper and paperboard	<u>92</u>	<u>100 015</u>	<u>99 923</u>
	<u>100 897</u>	<u>370 362</u>	<u>269 465</u>

The inclusion of trade in sleepers with wood and lumber reduces the trade surplus for "wood" from 2.45 million dollars in the secretariat note on agricultural commodities to the 0.47 million dollars shown above. However, the percentages for intra-regional trade in "wood" are more or less undisturbed at about 86 per cent for exports and 91 per cent for imports. With annual net imports below the half million dollar mark, Latin American trade in wood and lumber has little effect on the over-all foreign exchange position.

But it will be seen that for plywood and fibreboard, though there are very much lighter items of trade, there is a net outflow of a little over 4 million dollars. The intra-regional imports, all of plywood, accounted for 14 per cent of the whole, while 68 per cent came from Europe. Of

/plywood and

plywood and fibreboard exports, 72 per cent was intra-regional, with the balance shared more or less equally between the United States and the rest of the world.

Of woodpulp imports about 30 per cent came from North America, the rest from Europe. Of newsprint, about 40 per cent came from North America, mainly from Canada, with virtually all the remainder from Europe. Also there was a negligible intra-regional import of paper and paper board.

Total imports under all heads in the above table represent a substantial part of Latin American import trade. They amount to 370.4 million dollars as against 801.9 million dollars for imports of all agricultural products. Their importance from the viewpoint of the foreign exchange outlay may be illustrated by the fact that, to meet the net import deficit of 269.5 million dollars for forest products, more than the region's aggregate net export earnings on livestock and meat - 230.0 million dollars - was required.

Latin American forest products industry in relation to  
forest resources

3. It is estimated that the forests in use in Latin America (less than one-tenth of the total forested area) cover an area of 82.6 million hectares. Removals of industrial wood in 1956 in Latin America per hectare of forests in use amounted to 0.33 m<sup>3</sup>(r), which was higher than for Africa and much the same as for Asia and the USSR, though considerably lower than for Europe and North America. Latin America's production of industrial wood per capita in 1956 was 0.12 m<sup>3</sup>(r), which was below that of all other regions except Africa and Asia. The comparison with other parts of the world is made below.

Industrial wood removals, 1956

(Cubic metres round)

<u>Region</u>	<u>Total for region</u>	<u>Removals per hectare of accessible forests in use</u>	<u>Removals per capita</u>
Latin America	26.9	0.33	0.12
Europe	192.1	1.48	0.47
USSR	222.0	0.35	1.11
North America	359.3	1.36	1.95
Africa	9.4	0.09	0.04
Asia	78.8	0.33	0.08
Pacific	14.3	0.88	1.03

/For Latin



For Latin American forests in use, growing stock and gross increment per hectare compare favourably with other regions, but only a small part of these forests are under planned management, a much lower proportion than in other regions of the world. Despite the vast total area covered by forests in Latin America, the region shows only a minor net export of wood and lumber, and this is swamped by the 265 million dollars net outlay on pulp and paper, to which must be added a net 4 million dollars for plywood and fibreboard. In addition there is a substantial net import expenditure on fully converted items such as paper manufactures, furniture, etc. (About 45 per cent of total forest products import values for Costa Rica, 35 per cent for Cuba and Mexico, 45 per cent for Honduras, 20 per cent for El Salvador, etc. - mostly on paper manufactures.) Evidently the heavy Latin American outlay of foreign exchange could be reduced considerably by developing within the region primary and secondary forest industries on a scale more commensurate with needs than is now the case.

4. Latin American governments have under active study ways and means of stimulating the relatively backward forest industries, and at their request both ECLA and FAO have concerned themselves with this problem. The reasons for this backwardness are many and varied. Apart from the lack of capital and know-how, knowledge of the forest resources available is still insufficiently detailed. Inventory is being carried out in places, but very much more is needed to serve as a basis for the rational development of communications and extraction, of forest industry and marketing. With inadequate inventory, there is considerable hazard for new industry. Without the management plans that flow from accurate inventory, poor or destructive cutting practices will continue to dominate much of the Latin American forest scene.

It is not the purpose of this paper to discuss ways and means of ameliorating the situation nor to offer solutions, but rather to indicate the degree to which the current market structure may have provided an obstacle to free intra-regional trade in forest products and the contribution that it may be possible to make towards the removing of such an obstacle with progressive regional economic integration.

#### Trade balances for forest products

5. Post-war movements in the trade in forest products were as follows:

/Exports

	<u>Exports</u>		<u>Imports</u>		<u>Import balances</u>	
	<u>1946</u>	<u>1957</u>	<u>1946</u>	<u>1957</u>	<u>1946</u>	<u>1957</u>
Logs (1 000 m <sup>3</sup> (r) )						
Coniferous	10	25	-	44	-10	19
Broadleaved	323	303	211	283	-112	-20
Sawnwood (1 000 m <sup>3</sup> (s) )						
Coniferous	1 096	1 695	880	1 757	-216	62
Broadleaved	120	228	22	54	-98	-174
Sleepers	22	41	19	63	-3	22
Plywood and veneers (1 000 metric tons)	46	17	31	33	-15	16
Fibreboard (1 000 metric tons)	-	-	4	12	4	12
Woodpulp (1 000 metric tons)	-	8	235	470	235	462
Paperboard (1 000 metric tons)						
Newsprint	-	-	349	511	349	511
Other paper	-	-	66	231	66	281
Paperboard	-	-	40	67	40	67

There has been a severe over-all deterioration in the export/import position and only for broadleaved sawnwood was an improvement registered, this being a reflection of the growing sawmill resources of the region. The decline in the trading position for broadleaved logs was in part a complement to the improvement for broadleaved sawnwood.

Coniferous log removals increased from 6.1 million m<sup>3</sup>(r) in 1946 to 10.6 million m<sup>3</sup>(r) in 1957, and intra-regional trade in coniferous sawnwood rose considerably. But with increase in demand outstripping even the heavy increase in production within the region, the trade balances in both coniferous logs and lumber deteriorated considerably. It was almost entirely from the United States and Canada that the consumption deficit for coniferous wood was met. The deterioration in the balances for sleepers, also ascribable to heavier softwood consumption, was largely due to a recent increased movement of coniferous sleepers across the border from the United States to Mexico.

Plywood and fibreboard production also made substantial advances between 1946 and 1957 - plywood from 145 000 to 200 000 m<sup>3</sup>, fibreboard from nil to 40 000 metric tons. But for these commodities too, demand outstripped Latin American output. As a consequence, exports declined for plywood and veneers, with imports more or less static, while for fibreboard there was an increase in imports.

/It will

It will have been noted that by far the heaviest deterioration in the trading position occurred in pulp and paper products. Substantial though the production increases were during the period, as will be seen in the following table, they fell far short of demands from a rapidly developing consumption.

	<u>Production</u>	
	<u>(Thousands of metric tons)</u>	
	<u>1946</u>	<u>1957</u>
Wood pulp	65	335
Other fibre pulp	-	155
		Bagasse pulp, etc.
Newsprint	15	90
Paper	41.5	905
Paperboard	115	260

Latin America's economic growth and the demand for forest products

6. Economic growth brings with it a rising demand for forest products of every type of wood in its many forms, including plywood, fibreboard and particle-board, for construction, industry, communications and transport, of pulp and paper products for industry, commerce, education and culture. It will be a major objective of the proposed joint FAO/ECLA study of Latin American timber resources and requirements to evaluate the likely impact of Latin America's economic growth on the timber needs of the region. Insufficient data are as yet available to provide a sound basis for projection of the likely future Latin American demand for wood and wood products. But for pulp and paper, the most significant items as regards value and exchange outgoings, it is already possible to give a preliminary forecast.

7. An effective indicator of the economic growth of a country, of its educational and cultural progress, is provided by the level of its consumption of paper and board. In various FAO, ECLA and other publications, the marked correlation between per capita income and consumption of newsprint, paper and board has been amply demonstrated, and this relationship is now accepted as a satisfactory device for the determination of future demand trends.<sup>1/</sup>

<sup>1/</sup> For example, in Pulp and Paper Prospects in Latin America (UN/FAO, 1955), forecasts were included of the region's paper and board consumption in 1960, based on two alternative assumptions concerning the rate of economic growth. Present evidence is that the higher of these two projections is likely to be attained.

In the introductory secretariat paper on agriculture, future consumption trends for various agricultural commodities are estimated on the following assumption:

1. A 67 per cent increase in Latin America's population between 1955 and 1975.
2. Two alternatives for annual rate of per capita income increase: 2.4 per cent and 1.7 per cent, the former in line with the recorded trend for the past 20 years, the latter a more conservative and possibly more realistic estimate.

Using these same assumptions, future paper and board demand in the region may be estimated as follows:

Estimated future Latin American paper and board demand

(Thousands of tons)

	1955	1965		1975	
		(1)	(2)	(1)	(2)
Newsprint	495	855	955	1 537	1 874
Writing and printing	327	541	609	948	1 219
Other paper	647	1 060	1 175	1 869	2 273
Paperboard	353	596	685	1 141	1 490
<b>Total</b>	<b>1 822</b>	<b>3 052</b>	<b>3 424</b>	<b>5 495</b>	<b>6 856</b>

(1) Assumes 1.7 per cent annual rate of per capita income increase.

(2) Assumes 2.4 per cent annual rate of per capita income increase.

Thus by 1975, if there were no expansion of current regional production, foreign exchange needs to cover import requirements would, on the basis of current CIF prices, rise as shown below:

1975 paper and board import requirements and foreign exchange implications at current prices

Production 1955	Demand 1975		Imports 1975		Dollars per ton CIF	Value 1975 imports	
	(1)	(2)	(1)	(2)		(1)	(2)
(thousands of tons)							
(million dollars)							
Newsprint	90	1 537	1 874	1 447	180	260	321
Paper	905	2 817	3 492	1 912	230	440	595
Paperboard	260	1 141	1 490	881	230	202	283
<b>Total</b>	<b>1 255</b>	<b>5 945</b>	<b>6 856</b>	<b>4 240</b>		<b>902</b>	<b>1 199</b>

/Adding to

Adding to the two final columns the net import value of current wood-pulp imports, (75 million dollars) the total exchange needs would thus rise to somewhere between 1 and 1.3 thousand million dollars at current prices, compared with 265 million dollars in 1955-57.

In fact, substantial additions to existing capacity are already under way, and it is estimated that by the end of 1960 an additional 150 000 tons of newsprint and 450 000 tons of paper and board annual capacity will have been created; these represent, at current prices, about 130 million dollars of annual output. Even so, a formidable gap remains. There is little likelihood that the region will have available in 1975 foreign exchange resources permitting the import of pulp and paper on the scale required. Nor, even were the region able to finance the necessary imports, is there any certainty that export surpluses of this order will be available in the supplying centres outside the region. North America and Europe are presently the only surplus regions for pulp and paper. Present indications are that the European newsprint surplus may cease soon after 1960, while the surplus of other paper and board in that region may not survive long beyond that. If this were so, North America would become the sole exporting region, and there is some doubt whether this region can in the long term cover rising deficits in other regions. The FAO/ECLA Latin American Pulp and Paper Advisory Group has already advised that "Latin America's heavy dependence on the marginal markets of Europe and North America obviously places this region in a precarious situation during periods of scarce supply, and strong efforts should be made to reduce the risk by developing local production facilities".

#### Economic integration and Latin American pulp and paper prospects

8. Evidently, unless steps are taken to develop Latin American pulp, paper and board production at a much faster rate than is now contemplated, there will inevitably be a brake on the growth in consumption, to the detriment of economic and cultural progress in the region.

Can the trend toward economic integration in Latin America, including the establishment of a regional market, contribute to the solution of this problem? Can pulp and paper play a significant role in the process of economic integration?

/Prima facie,

Prima facie, both these questions can be answered in the affirmative, for the following reasons :

1. Insofar as economic integration has a healthy impact on economic growth, national markets will expand more rapidly to the point where the establishment of mills of economic size becomes practicable.
2. Insofar as markets can be pooled, the possibility of sustaining mills of economic size, taking advantage of production economies through specialization, will increase.
3. The fibre resources of the region, though immense, are diverse, some of them localized, and to some extent complementary. Specialization within the region can draw the maximum advantages from this situation for the region as a whole and for the individual countries.
4. Other elements in production costs may be cheapened through specialization within the region (e.g. chemicals).
5. Freer movements within the region of capital, expertise and, perhaps, of labour can accelerate developments.

How far these developments will occur depends on how economic integration is conceived and on the pace at which it proceeds. No quantitative assessment is possible without a definition of the measures to be adopted and the time that will be necessary for their implementation. Certainly the reduction or abolition of customs and currency barriers, the co-ordination of external tariff policies, improvements in intra-regional (particularly maritime) communications and many other possible elements of an economic integration programme will stimulate demand, which still in a number of countries in the region is too small to sustain a mill that is economically viable without excessive tariff protection. Paper is not a uniform commodity, but a varied group of commodities, and though for some paper categories a mixed production programme is perfectly practicable, there are several categories which technically require specialized production and others for which it is economically desirable. The economies of scale in paper and pulp production are very pronounced, especially for newsprint and kraft papers. In the traditional exporting centres new mills currently being installed for these categories are of a capacity (70-75

/thousand tons)

thousand tons) out of the question for nearly all Latin American countries at the present time. However, what holds true for Scandinavia and North America does not necessarily hold true for Latin America, where distance and freight already afford a measure of protection. But the pooling of markets undoubtedly holds out the possibility of production economies - and a cheaper product - through specialization.

As regards fibrous resources, most Latin American countries have indigenous reserves of short fibre, but relatively few are well-endowed with long-fibred material. There is reason to believe, however, that both in Chile and Central America there are possibilities of developing surpluses of long fibre pulp which could help alleviate the shortage of this material elsewhere in the region.

These and other aspects of regional development of the pulp and paper industry in Latin America, including common market prospects, are currently being studied by the FAO/ECLA Pulp and Paper Advisory Group and it is expected that a first report by the group on these problems will be available to Latin American governments towards the end of this year.

#### Prospects for trade in industrial wood

9. As noted earlier, insufficient data are yet available for projection of future wood demands and this projection will be an objective of the proposed study of Latin American timber resources and requirements. It will be necessary to examine changing patterns of end-uses of wood and of competitive materials, including plywood and composite boards, before such projection can be attempted, while a much closer analysis is required of the composition of the region's forests and of their true potential in terms of appropriate modern extraction techniques.

The following paragraphs therefore confine themselves to a brief account of the main elements of Latin American trade in industrial wood (other than pulp and paper) and some comments on the possibilities offered by regional market developments.

10. Coniferous sawnwood dominates the Latin American export/import trade in industrial wood, trade in coniferous logs being negligible. For broad-leaved woods, both logs and sawnwood feature in the trade. But exports of broadleaved woods, both round and sawn, are no more than a third by volume

/of exports

of exports of coniferous wood, while imports of broadleaved woods are about one-fifth those for coniferous wood. Yet the growing stock of the non-conifers in Latin American forests in use is over five times that of the conifers, with a very much greater non-coniferous growing stock in accessible Latin American forests that have yet to be brought into use. The coniferous woods are worked more intensively because in general the forests containing them are more densely stocked with species in current demand and more favourably located relative to the larger Latin American markets for wood. In most of the broadleaved forests, the species currently in demand are generally dispersed in the forests, with a comparatively small tonnage per hectare, while some of the main broadleaved forests are at a considerable distance from the larger centres of population. Nevertheless, broadleaved woods could undoubtedly be utilized in Latin America more extensively than is now the case. Some of the less dense of the broadleaved woods, could, as in other regions, provide reasonably effective substitutes for coniferous woods for a number of purposes.

11. The main international trade movements of Latin American woods are as follows:

Coniferous sawnwood

(a) Parana pine from South Brazil is exported to South America, mainly Argentina, and to Europe, mainly the United Kingdom, with minor exports to other regions. Argentina purchases more than five times as much Parana pine as all Europe. How far the current volume of extraction and trade in this timber can be maintained will be revealed by inventories now in progress.

(b) Exports of Chilean pine is on a far smaller scale than for Parana pine. Most goes to Argentina, though there has recently been a fairly significant movement to Europe, mainly to Federal Germany. With the maturing of Pinus radiata plantations, export availability of Chilean coniferous sawnwood is due to increase rapidly. Even if, as hoped, exports to Argentina and to Peru increase over the next decade, a very substantial surplus is likely to develop over and above any foreseeable rise in domestic demand.

Economic integration should provide opportunity for disposal of this surplus through partial replacement of the substantial coniferous sawnwood

/imports by



imports by Latin America from North America - over 600 000 cubic metres annually, of which 70 000 cubic metres have gone to Peru and a further 130 000 cubic metres to the rest of South America. High marine freights are a stumbling block to an increase in trade in Pinus radiata, which also has some difficulty in competing on quality grounds with the general run of imports from North America. Any quality improvement, through better sawmilling techniques and improved grading, would enhance export prospects.

(c) Exports of sawn Central American pine in 1957 were by volume less than a third those of Parana pine from Brazil. Of the 350 000 cubic metres exported, 120 000 cubic metres went from Mexico to the United States, while Honduras sent 182 000 cubic metres to other Central American countries, mainly Venezuela and Cuba. Nicaragua and Guatemala also export, mainly to other Central American countries. There are limited prospects of an expansion of exports from this region (e.g. from Honduras), and there is every reason to believe that any increase could be absorbed within Latin America under the stimulus of economic integration.

(d) It seems unlikely that within the next two decades Latin America can develop sufficient coniferous sawnwood production to enable it to dispense with imports from North America, though some diminution of this dependence may be possible if Central American production expands.

#### Broadleaved wood

(e) The major movement is of hardwood logs from Paraguay to Argentina. There have been some substantial, but relatively less significant, movements of sawnwood from Brazil to Europe and from Chile to Argentina. Prospects for increasing intra-regional trade in sawn hardwoods are conditioned by the fact that most Latin American countries can provide the bulk of their requirements from native sources.

#### Prospects for plywood, fibreboard and particle-board

12. Fibreboard and particle-board are new arrivals on the Latin American production scene, with fibreboard production dating from 1949 and particle-board from 1954. Both commodities are to a certain degree competitive with each other, as also with plywood and sawnwood. Statistical cover is incomplete, but Latin American consumption of plywood, fibreboard and particle-board has been rising rapidly. Data for plywood and fibreboard, as far as can be ascertained, are as follows:

/1946

	<u>1946</u>	<u>1951</u>	<u>1957</u>
<u>Plywood (1 000 m<sup>3</sup>)</u>			
Production	102 a/	139	200
Exports	19 a/	22	12
Imports	28	28 a/	29
Apparent consumption	111 a/	145 a/	217
<u>Fibreboard (1 000 tons)</u>			
Production	-	17	45 b/
Exports	-	-	2
Imports	4	26	13
Apparent consumption	4	43	56

a/ Estimated.

b/ 1956 production.

Particle-board production rose rapidly from its inception in 1954 to an estimated 16 000 cubic metres in 1957, which seems to have been the level of consumption since neither exports nor imports have been reported in significant quantities.

About 50 per cent of plywood imports were from Europe, otherwise the trade, import and export, was mainly intra-regional. About 75 per cent of fibreboard imports came from Europe and most of the remainder from the United States. It will be noted that fibreboard imports and plywood exports have fallen away in recent years.

For plywood, Latin American consumption at about 1.2 m<sup>3</sup>(r) per 1 000 per capita lags well behind all regions except Africa and Asia. With rising population and income, Latin American consumption should increase very considerably in the next two decades. Most Latin American countries have at their disposal suitable raw materials, though some are better favoured than others in this respect. Relatively low capital requirements for production and the possibility of installing effective small capacity plants makes it feasible for many Latin American countries to undertake production and the number of countries participating in the production of plywood will increase with the expanding market. Economic integration should stimulate trade by permitting, through removal of tariffs, a free interchange of the different types of plywood produced in the region.

/As for

As for plywood, fibreboard and particle-board consumption in Latin America is still very low by world standards, and there is considerable room for expansion of consumption for both commodities. With fibreboard, as with pulp, other things being equal, especially raw material costs, production costs are lowered considerably with increasing size of plant. In many Latin American countries the national market will not at present support a fibreboard mill of a size that can produce competitively, while to undertake production on the basis of export to larger markets that can support their own home production is a most hazardous affair. Economic integration, as with pulp production, can smooth the way here for specialization within the region.

For particle-board, size of plant has a less decisive influence on costs. Less investment is required than for a fibreboard plant of comparable size. Thus modest plants to meet the needs of national markets can be considered. Even so, the current market potential of certain Latin American countries is still too small to justify an associated particle-board industry. Reliance on export is even more hazardous than for fibreboard, since the raw material is almost universally available and because of the relatively high freight/value incidence.

Of the three commodities discussed in the section, economic integration is likely to have the least impact on the particle-board industry, since opportunity for self-sufficiency within a single country is greater, and since the product is of a character that lends itself less well to international trade. A production of synthetic resin within the region might well stimulate development of the particle-board industry, since synthetic bonding resins play a significant part in production costs.

Of the wood-based sheet materials, plywood perhaps offers the best prospects for increased international trade. Plywood today embraces a wide range of products, of different costs, appearances and use characteristics, with diverse applications. Technical progress and associated new uses have led to a quadrupling of world output since the war, but Latin America has lagged behind. Yet the materials are available in the region for producing many varied types of plywood for decorative and constructive purposes. Any pooling of the local markets would favour the development of this industry.

/In this

In this connexion, it is of interest that the European Common Market zone has declared a common tariff at 10 per cent for veneers and 15 per cent for plywood. Existing tariffs in France and Italy are higher than these, but they are lower in the remaining four countries comprising the Common Market. Current Latin American plywood and veneer exports to the Common Market zone of Europe are relatively minor, and the common tariff levels for plywood and veneer that have been adopted may provide an obstacle to future expansion of those exports.

Economic integration and the general outlook for trade  
in forest products

13. Import tariffs, quantitative restrictions, differential exchange rates, etc. are all obstacles to freer intra-regional trade in forest products, and a major objective of any move towards economic integration would be the gradual removal of the obstacles within the region. As will be seen from the table below (based on information available from 19 countries), tariffs on forest products in certain Latin American countries are comparatively high.

Ad valorem incidence of tariffs on certain forest products

	Number of countries with					Highest tariffs recorded (percentages)
	Free entry	5 per cent or below	5-25 per cent	25-50 per cent	50 per cent and over	
Sawn softwood	1	4	5	4	4	80
Hardwood logs	1	2	7	3	3	80
Sawn hardwood	1	3	4	2	6	134
Plywood	-	1	2	4	4	178
Fibreboard	-	-	2	-	3	100
Pulp- <del>unbleached</del> sulphate	3	1	7	4	-	50
Pulp-bleached sulphate	3	1	8	3	-	40
Kraft, unbleached	-	-	7	9	3	84
Kraft sacking	-	-	8	7	3	88
Kraft bleached	-	1	7	7	2	80
Newsprint	7	1	9	2	-	31

In a number of cases, the application of differential exchange rates obscures the impact of the published schedules.

/For newsprint,

For newsprint, there is free entry in about half the countries dealt with. Duties on pulp and kraft are in instances severe for basic industrial materials.

Hardwood being so plentiful a material in Latin America and in relatively less demand than softwoods, the easing or removal of tariffs on hardwood logs and lumber would be a welcome step towards the liberalizing of the trade. Hardwoods can be used effectively in many fields in substitution for softwoods -- it is often a question of overcoming conservatism in use.

The scope for removal of intra-regional tariffs on forest products and the rate at which such removal can be achieved without causing too drastic an upheaval in existing trade patterns are matters for the most careful appraisal. But with tariffs so severe in so many instances, their gradual reduction and final abolition must offer great scope for a general improvement of the trade in forest products.

14. From the foregoing sections it emerges that the major issue for future Latin American trade in forest products is how far the rapidly expanding consumption of newsprint, other paper and paper-boards can be met from the development of regional production. Latin America's economic integration can undoubtedly play a significant part in promoting development of pulp and paper production by widening markets, affording the opportunity for specialization, and hence production economies, within the region, and effecting optimum utilization of the region's diverse fibrous resources. Such a development would afford a stimulus to the establishment of secondary and associated industry (e.g. paper conversion trades, chemicals).

Plywood, fibreboard and particle-board production and consumption are also due for rapid expansion in Latin America and will benefit from the improved economic outlook that should be attendant on Latin America's economic integration.

With lumber the main problems are to promote a greater use of the considerable resources of broadleaved woods and to expand production of Latin American coniferous resources so as to reduce the heavy coniferous sawn wood imports -- both problems whose resolution can be assisted by development of a regional market for Latin America.

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Thus the prospects for raising the level of intra-Latin American trade and promoting industrial development with the help of economic integration are probably brighter than for any other commodity group in food and agriculture. By the same token, a co-ordinated development of forest products industries within the region can make a notable contribution to the process of economic integration itself and to a general raising of welfare in the region. That the governments are fully cognizant of this is evident from the continuing support they are according to the work of the FAO/ECLA Pulp and Paper Advisory Group, established at their request, and the continuing flow of national requests for the services of this Group. At the same time, it is clear that a realization of the possibilities briefly sketched in this note requires a more detailed study of Latin American forest resources, of the end-uses to which the various products are subjected and of the strength of the present and future market demand for them. Study is also needed of economic and technical problems attendant on establishment of new forest industries and their place within general economic development plans.

These and other aspects will be analyzed in the study of Latin American timber resources and requirements which FAO and ECLA have been requested to carry out by the governments of the region represented in the Economic Commission and in the Latin American Forestry Commission. The full support of the countries of the region to this study will be instrumental in clarifying issues and arriving at possible solutions.

## ECONOMIC COMMISSION FOR LATIN AMERICA

## Eighth Session

Panama City, Panama, May 1959

PRELIMINARY ECONOMIC ANALYSIS OF SELECTED TYPICAL  
COFFEE FARMS IN SÃO PAULO

## I. FOREWORD

As explained in the Progress Report on the ECLA/FAO Coffee Survey (document E/CN.12/512), analysis of the data on coffee farms collected in the State of São Paulo has not yet been completed. However, in the course of the preparatory work, valuable information regarding a small number of farms has already been obtained and studied. It was thought that many delegations at the eighth session of ECLA might be interested in having access to these preliminary results and they have, therefore, been prepared as an information document.

The present document constitutes an advance on the proposed detailed study of farms described under section C of document E/CN.12/512. It should be emphasized that both the data and the analysis are preliminary and may be revised or changed as additional information becomes available.

## II. SUMMARY

1. Coffee production in the State of São Paulo takes place under widely varying conditions. The coffee farms found in the State may be classified into fazendas and sítios. The fazenda is a large holding, frequently highly specialized in coffee cultivation which is operated through the colono labour system of annual labour contracts. The sítio is a relatively small unit, generally owner-operated, which is found scattered all over the State. The sítio depends for its labour requirements mainly on the farm family itself. In order to illustrate ranges of differences between major farm characteristics in São Paulo, two sítios and two fazendas are analyzed in considerable detail in this preliminary note.

2. The selected farms have the following principal characteristics:

Sítio A is a small, owner-operated farm on Arenito do Baurú soil type with above average management, with well kept and productive young coffee plantings; sítio A requires very little hired labour.

/ Sítio B

Sitio B is a rather primitive - and probably more representative - small farm on Terra Roxa soil; the coffee trees are more than 50 years old and produce little. In spite of low yields and primitive cultivation methods hired labour is constantly required.

Fazenda A is a typical medium-sized specialized coffee farm situated near sitio A; rather modern production techniques prevail under a share-cropping labour contract; grains and livestock are secondary products,

Fazenda B is a very diversified medium-sized coffee farm located in an old coffee area on Massapé soil; both young and old coffee plantings exist, the former ones being cultivated with modern methods. Onions, beans, maize and dairy products are all of commercial importance, together exceeding coffee in gross value produced.

3. Although the small size of the sitios does not allow the farmers to take full advantage of mechanization both in the field and in processing, it was found that considerable differences exist between the methods of exploitation of the two sitios. Both labour and variable capital (fertilizers, pesticides, seeds, etc.) are applied much more intensively on sitio A than on sitio B.

4. The use of resources on both fazendas is rather similar to that on the well-managed sitio A, except that on fazenda B a sizeable share (17.6 per cent) of the land is devoted to crops other than coffee. The technological level of farming seems to be generally higher on fazendas than on sitios, since on fazendas lack of knowledge or scarcity of investment funds are less of a limiting factor.

5. Yield per hectare (1955/58 average) in sitio B amounted to 3.2 bags (of 60 kilogrammes) of green coffee, and in sitio A to 16.2 bags, showing to a large extent the effect of more intensive cultivation. This compares with yields of between 10.3 bags and 23.5 bags per hectare in different plantings on the fazenda. Per bearing tree sitio B collected only 0.22 kilogrammes of green coffee, while yields on the fazendas and on sitio A varied between 0.56 kilogrammes and 1.26 kilogrammes per tree.

6. Fertilizers were used on nearly all plantings of the fazendas and to a less extent, also on sitio A. Sitio B did not use either fertilizing or manuring practices. This points to the fact that the larger-sized fazendas may have important livestock enterprises which place them in an advantageous position for manuring with respect to sitios.



7. A survey of over-all efficiency on these four coffee farms shows that, whereas in sitio B one man-day was required to produce 3.65 kilogrammes of green coffee, the other farms required considerably less labour outlay for the same amount of output. On fazenda B this indicator showed labour productivity to be four times as high as on sitio B. This points to the enormous scope for improvement in coffee production efficiency. It also shows that while coffee prices are weakening the possibility exists for farmers to counter declines in farm income through greater rationalization of production.

8. In the past coffee farms have - as a rule - been highly specialized because of a variety of conditions. However, the data presented here show that both small farms and large farms may today profitably supplement coffee cultivation with a number of additional enterprises. In this way a greater stability of farming is obtained which is especially important to defend farmers against abrupt coffee price declines. Detailed study of diversification on coffee farms is required in order to establish the enterprises which will best fit as combinations with coffee cultivation. Livestock farming merits special attention in view of the need for organic manure on coffee plantings.

9. In deciding between various forms of diversification on coffee farms the matter of equalizing seasonal demand for labour is of great importance. Because of the labour-intensive character of coffee harvesting there is a great labour peak in July-August. The difficult labour situation could be improved by adding other enterprises, but the cases studied show that the opposite effect may also be obtained if crops are not properly chosen and the respective peak labour demands fall also at the time of the coffee harvest.

10. Data show that labour productivity in non-coffee enterprises may not necessarily be greatly less than that in coffee farming. On the four farms studied, gross labour productivity for non-coffee crops was 60-85 per cent of that in coffee production. The corresponding range of livestock farming was 45-80 per cent. Naturally, these figures are only illustrative and need confirmation through the analysis of net productivity coefficients on a larger number of farms.

### III. INTRODUCTION

Coffee production in the State of São Paulo takes place under a relatively wide variety of situations. Besides differences in the natural environment, namely soil types and to a certain extent climatic conditions, further differences among coffee farms and coffee regions exist on account of varying cultivation practices, labour contracts and combinations of enterprises. The existence of such a diversity of situations suggested the convenience of supplementing the information collected through the regular field survey, with more detailed data gathered from a restricted number of purposively selected farms. The main objective of this part of the coffee study in São Paulo has been to provide a comprehensive view of those coffee farms which could be considered representative of common types of organization in specific regions of the State. Hence, collection of data and subsequent analyses were not restricted to the coffee enterprise but included all activities carried out within the farm during the year October 1957 - September 1958.

The criteria which guided the selection of farms were schematically the following: (1) in each of the soil types most relevant for coffee growing one or two municipalities which could be considered fairly representative of the types of farming in the region were selected; (2) a restricted number of farms (from 5 to 10) was chosen within each municipality taking into account their typicalness with respect to the following variables: (a) size, (b) level of mechanization, (c) diversification, and (d) labour contracts.<sup>1/</sup> A total of about 30 farms were thus selected in six municipalities. In each farm daily information about labour activity, cash outlays and receipts were registered. The collection of information was completed in September 1958 and data are now being processed and analysed.

<sup>1/</sup> This study is not free from the objections usually moved against farm records types of data and analyses. Even if the farms selected in São Paulo are representative as to size, enterprises, labour contracts and other characteristics, the quality of their management locates them in the upper average class. This is a consequence of the fact that farmers willing to collaborate rank normally among the more advanced and progressive.

Results of a preliminary analysis of four farms are presented below. This presentation aims at two main objectives: (1) to inform about the nature of data collected and about some of the analysis which can be performed using these data, and (2) to supply a preliminary outlook of the main economic relationships existing in coffee farms whose resources, productive structures, techniques, and labour contracts may be considered representative of specific regions within the State of São Paulo.

In relation to the first objective, it must be pointed out that figures and analytical relationships are presented here only for a few individual farms and therefore neither aggregation of data nor measures of central tendency are included. Obviously, when the processing of data on all farms is finally completed, a series of additional comparisons between groups of farms will become possible. Material presented in the following pages about individual farms may hence be also viewed as the type of raw data available for more comprehensive and profound analyses.

The second objective suffers from a similar limitation. Even in case the farms selected were considered, on subjective grounds, as representative of specific coffee producing areas in the State, it must be remembered that valid conclusions regarding average characteristics of coffee farming in São Paulo can only be made after processing and analyzing the other segments of the study. Only then typicalness of the farms may be more objectively evaluated and inferences firmly drawn.

#### IV. GENERAL FEATURES OF COFFEE PRODUCTION IN SÃO PAULO

Historically, coffee was introduced in the State of São Paulo at the beginning of last century and progressively moved first northward and then westward reaching finally in the twenties Mato Grosso's and Parana's borders. The original march of coffee proceeded according to the typical pattern of shifting agriculture in new areas, constantly in search of fertile virgin land and leaving behind old plantings on heavily depleted soils. Recently, however, a different trend has slowly manifested itself among coffee growers. Adopting important innovations in cultivation technology, farmers are now successfully establishing new and highly productive plantings in old coffee areas.<sup>2/</sup> This tendency, although increasing, has not yet become

<sup>2/</sup> The most relevant changes in technology consisted in the adoption of selected strains and varieties, narrower spacing, plantation on the contour and heavy fertilization and manuring.

so generalized as to significantly affect the average level of productivity of the oldest areas and to change profoundly their production structure. The signs are however promising and a steady rise in the technological level in future years may be expected.

As to the effect of the natural environment, while the climate of practically the entire state is suitable for coffee growing, soil has been a major element determining the extension and location of coffee cultivation. Coming from the state of Rio de Janeiro, cultivation expanded originally on the Massapé soil formation,<sup>3/</sup> covered the sports and strips of Terra Roxa,<sup>4/</sup> and penetrated finally into the Arenito de Baurú.<sup>5/</sup> Objective and precise estimates of coffee distribution amongst soil types are not yet available,<sup>6/</sup> but it may be roughly estimated that out of a total of some 1,100 million "trees"<sup>7/</sup> in the State, about 3/4 are located on Arenito type of soil, 15 per cent on Terra Roxa and less than 10 per cent on Massapé. In these last two soil types the oldest and poorest plantings of the state are to be found.<sup>8/</sup> However, in recent years they have been associated with young and well established plantings in a steadily growing proportion. The Arenitos, on the other hand, are covered with plantings

<sup>3/</sup> A slightly acid clay loam which in its virgin state is found under a heavy growth of deciduous forest in hilly areas of the northern and northeastern regions of the State.

<sup>4/</sup> A soil of volcanic-derived materials, clay-like, yet highly friable in texture and of characteristic purple-earth color. This deep, rich soil is found on the rolling terrain in central São Paulo and in the area centering on Ribeirão Preto in the northern part of the state.

<sup>5/</sup> A slightly acid sandy loam which predominates in the State's west and southwest.

<sup>6/</sup> Expansion of the 2,000 coffee farms sample, which represents the main segment of the ECLA/FAO coffee survey, will provide the objective estimates so far lacking.

<sup>7/</sup> In Brazil a coffee "tree" consists of several trunks, spaced from six to 25 centimetres apart and giving the appearance of a single plant. Each cluster is counted for statistical and other purposes as being one tree. The estimates of the total number of trees and of the proportionate distribution among soils are based on the cadastre of coffee growers which was prepared at the beginning of the survey and used as a sample frame.

<sup>8/</sup> Up to 100 years of age and yields as low as 120 kilogrammes of green coffee per hectare.

of younger average age (possibly between 30 and 40 years) and of higher productivity. While very young plantings exist also in these areas, old techniques are still prevailing and the impact of new practices, particularly soil conservation and chemical fertilization, is not very much felt.

Institutionally, the entire structure of coffee production has been centered around the fazenda, a large holding initially cultivated with slave labour and later on by colonos.<sup>9/</sup> The fazenda was originally a practically self-sufficient type of economic unit, where besides the basic cash crop (i.e. sugar cane or coffee) subsistence crops such as rice, beans, and corn were produced for the farm labour. The fazenda also had specialized labour and equipment for the maintenance of the farm's fixed capital (buildings, coffee processing equipment, etc.). Slowly, this self-sufficient structure suffered some modifications: monoculture ceased to be the general rule and other cash crops were introduced in the production plan, attempts were made at establishing an equilibrium between livestock and crop enterprises, and in addition to the colono system, various forms of share-cropping (parceria) were adopted in some regions of the State. These internal changes were also accompanied by a steady decrease in self-sufficiency with respect to type and quantities of inputs as a consequence of improvement in the cultivation technique which made mechanization, fertilizers, pesticides, feeds and other commercial inputs of more common use. All these changes, however, did not occur uniformly and at the same rate throughout the State. The process of diversification particularly, varied substantially from region to region: dairying became the most

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9/ A colono is a rural worker contracted generally for one crop-year. He is in charge of cultivating a given number of trees and he is paid according to a predetermined cash rate per thousand trees. As obligations of his contract, he has to perform a certain number of weedings and also to execute two operations complementary to picking (arruação and esparramação). For picking he receives a fixed sum for each bag harvested. In addition to cash, he receives some form of payment in kind, variable from farm to farm and region to region: either he receives products, or he is allowed to interplant in coffee, or he is assigned an area of cropland and pasture at a rate for each thousand trees cared for. He is furnished shelter and, in more progressive farms, medical assistance, school, and some sort of organized social activity (dancing clubs, soccer games, etc).

frequent enterprise associated with coffee in the marketing spheres of the main urban centres, sugar cane in the northeastern regions, cotton and groundnuts in the western areas.<sup>10/</sup> This diversification process received strong stimulus during periods of low coffee prices, particularly during the thirties.

Besides the fazenda, another fundamental farm type exists: the sítio, a relatively small unit, frequently owner-operated, which is not characteristic of any specific region but is found scattered all over the state. A large number of sítios originated as a consequence of the emancipation of colono families, who normally employed accumulated savings to purchase a few hectares of land establishing a family-operated coffee farm. Diversification in sítios is much less pronounced than in fazendas; as a general rule crops other than coffee and livestock are present only for internal consumption. Labour requirements are usually supplied by the family labour force with some use of hired labour during harvest. Adoption of technological changes has been slower on the sítios than on fazendas and both cultivation practices and inputs still follow old cultivation patterns.

#### V. GENERAL FEATURES AND RESOURCE USE ON THE SELECTED FARMS

Two sítios and two fazendas are analyzed in this paper. Even though similar with respect to some characteristics, they differ in other features and suggest the type and range of variability existing between coffee farms in São Paulo. The analytic discussion about resource availability and ratios in the selected cases is preceded by a general, framing description of their main structural features.

Sítio A may be considered above average in management among the owner-operated coffee farms in São Paulo.<sup>11/</sup> It is located in the município

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<sup>10/</sup> These are only general indications not based on objective measurements. Distinctions are not so clear cut and mixture of all these types are frequently encountered.

<sup>11/</sup> Once again, it must be pointed out that this statement is limited by lack of objective information about the populations of coffee farms. Only after completion of the whole study these preliminary and hypothetical statements will be definitely tested.

of Catanduva, along the Araraquarense railroad, on Arenito de Baurú soil. Its coffee planting is of a selected variety, has entered few years ago the productive phase and it bears very good yields. The cultivation practices, although not completely up to date from the technical point of view may nevertheless be considered more advanced than those applied in the majority of sítios. It is highly specialized since coffee represents the only cash enterprise. A small output of grains and dairy products is consumed by the family. The operator and family take care of the labour requirements with the exception of a short period during harvest time when some hired labour is used.

Sítio B belongs to a category of sítios opposite to sítio A, i.e. of rather primitive and of low productivity. The frequency of this type of sítios in the State is probably higher than the class portrayed by sítio A. It is located in the municipality at Jardinópolis (within the region called Alta Mogiana) on Terra Roxa soil. Its coffee planting, over 50 years of age, belongs to the variety denominated Comum or Nacional (C. arabica, L. Var. typica Cramer) and is of very low productivity. Cultivation practices are rather primitive and application of labour and other inputs is very small. Coffee also represents the only cash enterprise and grains and dairy production are for internal consumption. Hired labour is constantly needed because the owner's family labour force is insufficient to cope with all requirements.

Fazenda A represents the case of a medium-sized, fairly specialized fazenda. It has the same location and soil type as sítio A. Its coffee planting, already in advanced maturity (30 and 35 years) maintains a good level of productivity. Inputs and cultivation practices are rather intensive and modern, both perhaps favoured by the fact that labour is obtained through a sharecropping contract. Coffee is not the only cash enterprise but definitely the predominant one. Most of the grain and livestock products are not marketed.

Fazenda B is an example of a very diversified medium-size coffee farm. It is located in an old coffee area (the Mogiana region) in the northeastern portion of the State, on Massapé soil.

Its coffee planting is composed of lots of both old trees (over 50

/years, of

years, of Comum variety), still bearing good yields, and of younger trees (ages varying between one year and 15, of selected variety). The young plantings have been established according to modern criteria and the level of application of inputs on the entire plantation is rather intensive. Besides coffee, cash receipts are also furnished in large proportion by other crops (onions, beans, maize) and by dairy products. Labour for the adult coffee is secured through a colono-type contract while young plantings are cared for with daily wage workers (diaristas), and a share-cropping contract for onion, which is the other main cash-crop. Livestock labour, like in most fazendas, is furnished by permanent wage workers (mensalistas).

The above general description is supplemented by more specific information about availability of resources and their utilisation in tables 1 and 2.

As to the comparative resource structure of the two sitios (see table 1), it is of interest to point out briefly some of their most relevant similarities and divergencies. The most striking feature is the similarity in the percentual distribution of annual labour between classes of enterprises (coffee demands around 30 per cent of the total labour use and only about 10 per cent is devoted to other crops). This similarity does not hold, however, in absolute terms. Sitio A with a smaller area in coffee presents a much more intensive labour application, as shown by the resource rations contained in table 3 (105 man days per hectare of adult coffee in sitio A versus only 38 days in sitio B). Comparison of the magnitudes of the capital invested confirms the disproportionate structure of sitio B, whose capital is practically wholly composed of land and planting and the farm does not dispose of any significant amount of variable capital to use jointly with it. In sitio A each day of labour is applied together with 50 cruzeiros of variable capital (see table 3) while the figure in sitio B does not reach any significant amount. These conditions are also confirmed by the size and relationships of capital-land ratios.

From the data in tables 1 and 3, it appears that while output in sitio A is the joint result of capital and labour applied to land resources,



Table 1

AVAILABILITY AND USE OF RESOURCES IN TWO REPRESENTATIVE SITIOS

Item	Unit	Sitio A		Sitio B	
		Number	Percent- age	Number	Percent- age
<u>Land</u>					
Young coffee (up to 3 years)	Hectare	-	-	-	-
Adult coffee	"	10.48	69.3	14.0	49.1
Other crops	"	-	-	2.4	8.4
Pasture	"	2.83	18.7	11.9	41.8
Forest and woodland	"	1.21	8.0	-	-
Unused but potentially productive	"	-	-	-	-
Built-on area and wasteland	"	0.60	4.0	0.2	0.7
Total land	"	15.12	100.0	28.5	100.0
<u>Labour</u>					
Labour on coffee	man-days				
young (up to 3 years)	"	-	-	-	-
adult	"	1 098.5	84.0	531.0	80.2
Labour on other crops	"	108.5	8.3	80.75	12.2
Labour on livestock	"	69.0	5.3	45.0	6.8
Labour on overhead activities	"	31.5	2.4	5.0	0.8
Total labour	"	1 307.5	100.0	661.75	100.0
<u>Fixed investment</u>					
Land <u>a/</u>	cruzeiros	481 600	40.1	728 000	83.7
Coffee planting <u>b/</u>	"	480 000	40.0	100 000	11.5
Machinery <u>c/</u>	"	16 438	1.4	5 678	0.7
Work animals <u>c/</u>	"	8 000	0.7	12 000	1.3
Buildings <u>c/</u>	"	214 115	17.8	24 480	2.8
Total fixed investment	"	1 200 153	100.0	870 158	100.0
<u>Variable capital</u>					
Machine services <u>d/</u>	"	8 862	12.4	1 678	82.3
Crop services <u>e/</u>	"	47 013	65.6	360	17.7
Livestock services <u>f/</u>	"	15 718	22.0	-	-
Total variable capital	"	71 593	100.0	2 038	100.0

a/ Land investment has been evaluated at current market prices.

b/ Coffee planting has been evaluated from the establishment standpoint and not discounting expected future returns.

c/ Values for machinery, work-animals and buildings are for the original inventory.

d/ Including depreciation quotas plus fuel, lubricants and maintenance expenses.

e/ Comprising outlays on fertilizers, pesticides, seed and seedlings.

f/ Including feed and veterinary expenses.

/Table 2

Table 2

AVAILABILITY AND USE OF RESOURCES IN TWO REPRESENTATIVE FAZENDAS

Item	Unit	Fazenda A		Fazenda B	
		Number	Percent- age	Number	Percent age
<u>Land</u>					
Young coffee (up to 3 years)	Hectare	-	-	14.5	3.2
Adult coffee	"	196.02	27.4	69.5	15.3
Other crops	"	18.15	2.5	80.0	17.6
Pasture	"	293.79	41.0	213.7	47.0
Forest and woodland	"	142.61	19.9	21.3	4.7
Unused but potentially productive	"	4.04	0.6	15.0	3.3
Built-on area and wasteland	"	61.71	8.6	40.2	8.9
Total land	"	716.32	100.0	454.2	100.0
<u>Labour</u>					
Labour on coffee	man-days				
young (up to 3 years)	"	-	-	566	2.9
adult	"	14 632	85.6	5 854	29.9
Labour on other crops	"	460	2.7	7 115	36.3
Labour on livestock	"	592	3.4	3 019	15.4
Labour on overhead activities	"	1 422	8.3	3 027	15.5
Total labour	"	17 106	100.0	19 581	100.0
<u>Fixed investment</u>					
Land <u>a/</u>	cruzeiros	24 787 600	75.7	11 294 000	69.4
Coffee planting <u>b/</u>	"	4 587 460	14.0	3 116 710	19.2
Machinery <u>c/</u>	"	932 782	2.8	461 745	2.8
Work animals <u>c/</u>	"	78 000	0.2	105 000	0.6
Buildings <u>c/</u>	"	2 366 911	7.3	1 297 004	8.0
Total fixed investment	"	32 752 753	100.0	16 274 459	100.0
<u>Variable capital</u>					
Machine services <u>d/</u>	"	228 225	24.5	198 024	20.2
Crop services <u>e/</u>	"	675 587	72.4	660 070	67.5
Livestock services <u>f/</u>	"	29 410	3.1	120 004	12.3
Total variable capital	"	933 091	100.0	978 098	100.0

a/ Land investment has been evaluated at current market prices.

b/ Coffee planting has been evaluated from the establishment standpoint and not discounting expected future returns.

c/ Values for machinery, work-animals and buildings are for the original inventory.

d/ Including depreciation quotas plus fuel, lubricants and maintenance expenses.

e/ Comprising outlays on fertilizers, pesticides, seed and seedlings.

f/ Including feed and veterinary expenses.

Table 3

RESOURCE RATIOS IN TWO REPRESENTATIVE SITIOS AND TWO FAZENDAS

Item	Unit	<u>Sitio A</u>	<u>Sitio B</u>	<u>Fazenda A</u>	<u>Fazenda B</u>
<u>Labour-land ratios</u>					
Man-days per hectare of young coffee	man-days	-	-	-	39.0
Man-day per hectare of adult coffee	"	104.8	37.9	74.6	84.3
Man-day per hectare of other crops	"	20.7 <u>a/</u>	33.6	25.3	88.9
Man-day per hectare of total farm area	"	86.5	23.2	23.9	42.0
<u>Capital-labour ratios</u>					
Machine services per man-day <u>b/</u>	cruzeiros	6.8	2.5	13.3	10.1
Variable capital per man-day <u>c/</u>	"	54.8	3.1	54.5	50.0
Fixed investment per man-day <u>d/</u>	"	917.9	1 314.9	1 914.7	831.1
<u>Capital-land ratios</u>					
Machine services per hectare <u>b/</u>	"	586.1	58.9	318.6	436.0
Variable capital per hectare <u>c/</u>	"	4 735.0	71.5	1 302.6	2 153.4
Fixed investment per hectare <u>d/</u>	"	79 375.2	30 531.8	45 723.6	35 831.0

a/ The area devoted to other crops does not appear in table 1 since they are inter-planted in the coffee area.

b/ Machine services consist of machinery depreciation quotas plus cash expenses for fuel, lubricants and repairs.

c/ Variable capital corresponds to cash expenses with machinery plus crop services (fertilizer, pesticides, seed and seedlings) and livestock services (feed and veterinary expenses).

d/ Fixed investment includes value of land, coffee planting, machinery, work-animals and buildings.

/in sitio

in sitio B product may be viewed as the outcome of the sheer application of labour to land. In an attempt to generalize, it might be said that resource "ratios" in the majority of coffee sitios fall likely within the range delimited by sitios A and B.

In more general terms, because of their small average size, sitios have difficulties in taking full advantage of mechanization (both in the field and in processing) thus reducing considerably the volume of machine services applied per man and per hectare. The use of other forms of variable capital (fertilizer, feeds, pesticides, etc.) is also limited as a consequence of two main factors: (1) lack of knowledge, and (2) low productivities of farm resources which do not allow reinvestment. While the first problem may be solved through extension and technical assistance, the second obstacle is perhaps associated with the present structure and organization of this small type of farm.

Availability of resources and their use in the two fazendas are presented in table 2. Also for the fazendas the general impression is of close similarity in some characteristics and wide contrasts in others. While size of fazenda A predominates in terms of land, fazenda B is much larger in terms of labour. The over-all labour-land ratio is 42 man-days per hectare in fazenda B and only 24 in fazenda A. The different degree of diversification becomes apparent both observing land use (only 2.5 per cent of land devoted to crops other than coffee in fazenda A against 17.6 per cent with the same use in fazenda B) and labour distribution among classes of enterprises (in percentage terms "other crops" absorbs 2.7 per cent of labour in fazenda A and 36.3 in fazenda B). It may be of interest to point out that labour distribution in fazenda A is very similar to that encountered in the two sitios. This similarity is obviously a consequence of the high degree of specialization and it is highly correlated, as will be pointed out later on, with the percentage distribution of gross income.

A strict analogy between the two fazendas characterizes the capital investment, both of its fixed and variable components. Land and coffee planting represent the largest share of total fixed investment (around 90 per cent in both fazendas); machine investment, although apparently modest in comparison with the previous two categories, is in reality rather

/conspicuous as

conspicuous as may also be deduced from the volume of machine services per man-day listed in table 3.<sup>12/</sup>

Variable capital is composed substantially in both fazendas by crop services which are made up of cash outlays for fertilizers, pesticides, seed and seedlings. This type of investment is quite notable as it is also indicated by the magnitude of variable capital per man-day and per hectare. As to possible generalizations about capital investment in fazendas, even though obviously no inferences can be drawn from the absolute figures of fazendas A and B, it should be fairly safe to assume their proportional distribution among categories of capital as quite representative of the usual capital structure. Also in the majority of fazendas it is likely to occur that fixed investment, particularly land and planting, constitute the major category of total capital (in the two cases under analysis fixed investment represents 97 and 94 per cent of the total capital). During recent years variable capital has been assuming growing proportion in coffee fazendas, but still remains a rather modest item in comparison with total investment. This proportional comparison between fixed and variable capital does not have a mere statistical relevance but possesses a broader significance since technological progress and increase in labour productivity has been normally accompanied by a proportional decrease in fixed investment with respect to variable expenses and an increase in the variable capital-labour ratio.<sup>13/</sup> However, the coffee farms' capital structure may not be as unfavourable as it appears if two factors are taken into account: (1) processing equipment is a form of fixed investment characteristic of coffee farms and therefore

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<sup>12/</sup> The level of mechanization is indeed rather high in both fazendas: both possess three tractors (two Ferguson Diesel 32 HP and one Fordson in fazenda A, and Ford 22 HP, Ferguson Diesel 32 HP and International MD 32.8 HP in fazenda B which are used mostly for transport and land preparation. Besides tractors and their implements, the remaining portion of machine investment is almost completely represented by processing equipment.

<sup>13/</sup> In this connexion it might be of interest to indicate that in a sample of grain-livestock commercial farms of the United States Midwest, the proportion between fixed and variable capital was of 78 per cent for the former and 22 per cent for the latter.

comparison of global investment with farms of different productive structure leaves coffee farms in disadvantageous position; (2) the inflationary process which has been affecting the Brazilian economy in recent years has raised considerably the values of fixed capital, particularly land, perhaps out of proportion with their earning value.

Comparison of resource structure between sítios and fazendas, lead to several considerations of a general nature. In relation to labour use, an increase in the size of the economic unit seems to cause a more than proportional increase in the fraction of labour employed in overhead activities.<sup>14/</sup> In the sítios 0.8 and 2.4 per cent of total labour was devoted to overhead activities, while in the fazendas the proportion raised to 8.3 and 15.9. This increase is caused not only by a larger fixed capital to maintain (mainly machinery and buildings) but particularly by the effort needed in managing and supervising the several categories of hired labour normally present in the fazendas.<sup>15/</sup> Besides the complexity of the contracts, another factor which contributes to need of a large amount of supervision and coordination is the volume of the labour itself, as indicated by the total number of man-days spent in the fazendas (see table 2).

Another point which deserves mention is the relationships between enterprises. Coffee sítios are usually quite specialized and size of other enterprises limited to the operator's family consumption requirements. As a consequence of this fact, an equilibrium between crop and livestock is therefore of quite difficult achievement within this type of farm organization. In fazendas, on the other hand, one of the most common

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<sup>14/</sup> Overhead activities include labour spent on maintenance of fixed capital (buildings, machinery, and improvements), on transports of general nature, and on the coordination of activity in the various enterprises.

<sup>15/</sup> Fundamental categories of hired labour found in fazendas are: (a) coffee colonos or sharecroppers; (b) daily wage workers (diaristas); (c) monthly wage workers (mensalistas) and contract labour (empreiteiros). These categories are not permanently distinct, but it is quite common to find workers employed part time under one contract and part time under another: for example, colonos work also outside their coffee contract as daily wage workers or as sharecroppers of other crops, etc.

solutions adopted in the diversification process has been the inclusion of a cattle enterprise in the farm production plan. In farms located inside dairy marketing areas this inclusion took the form of a dairy enterprise specialized and of high technical level but in other regions it has been generally limited to a rudimental kind of enterprise. In fact, livestock was not introduced with the main purpose of adding another cash enterprise but with the objective of establishing a fertility equilibrium within the farm. This tentative, however, has not been completely successful in most cases, because of the disproportion between the size of coffee and livestock enterprise. Given the size of coffee planting frequently encountered in fazendas, a much too large herd of livestock would be required to guarantee manuring at technically recommended levels.<sup>16/</sup>

Anyhow the fact remains that between livestock and coffee occurs practically the only complementary relationship found on coffee farms. The relationships of enterprises to one another are particularly relevant both for long term and short term farm planning and the selection of the enterprises to be associated with coffee will probably represent one of the serious problems to be solved by coffee growers in the years immediately ahead.

#### VI. RESOURCE REQUIREMENTS, LABOUR DISTRIBUTION AND EFFICIENCY INDEXES IN COFFEE

Present characteristics and techniques applied. Because of the perennial nature of the coffee tree, yields and productivity of resources at maturity, under comparative weather and soil conditions, are largely dependent on the inputs and techniques employed in the formative period. Understanding of the productivity levels in the selected cases may therefore be bettered if preceded by general information on the present characteristics of their plantings and the cultivation practices adopted. The main characteristics of the coffee plantings of the two sitios and two fazendas are described in tables 4 and 5 and figure 1.

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<sup>16/</sup> The question of manuring versus fertilization on coffee is very much debated in Brazilian technical circles. If the relevance that manuring has kept up to now in coffee farms should decrease, this fact would cause a revision of the production plans and enterprise combinations in many coffee farms.

Table 4  
CHARACTERISTIC OF COFFEE PLANTINGS IN TWO REPRESENTATIVE SITIOS

Item	Unit	Sitio A			Sitio B
		Lot 1	Lot 2	Total	
Number of trees a/	Number	3 000	6 000	9 000	10 000
Number of trunks per tree	"	4	4	4	6
Spacing of trees	metres	3.3x3.3	3.5x3.5	-	3.74x3.74
Area	hectares	2.98	6.72	9.70	14.0
Age	years	6	14	-	over 50
Variety	-	MN b/	MN b/	MN b/	C b/
Soil type	-	ABu c/	ABu c/	ABu c/	TR c/
Soil protection	number of trees	-	-	-	-
<u>Inter-planted crops d/</u>					
1955-56 e/	"	3 000	8 000	11 000	8 000
1956-57	"	3 000	6 000	9 000	18 000
1957-58	"	2 000	4 500	6 500	10 000
<u>Fertilizer applied per hectare in the years</u>					
1956-58	kilo-				
N	grammes	-	33.1	22.4	-
P <sub>2</sub> O <sub>5</sub>	"	-	87.1	60.3	-
K <sub>2</sub> O	"	-	63.2	43.8	-
<u>Organic matter applied per hectare in the years</u>					
1956-58	metric tons	-	7.8	5.4	14.5
<u>Total production</u>					
1955-56	bags 60 kg	27.7	138.3	166.0	40.0
1956-57	"	19.7	98.0	117.7	52.7
1957-58	"	84.0	142.0	226.0	28.7
1955-58 average	"	43.8	126.1	169.9	37.1
<u>Yield per hectare</u>					
1955-56	"	8.62	19.05	15.85	3.81
1956-57	"	6.13	13.53	11.24	3.76
1957-58	"	26.17	19.56	21.69	2.04
1955-58 average	"	13.64	17.38	16.22	3.20
<u>Yield per bearing tree</u>					
1955-58 average	kilo-grammes	1.17	1.26	1.13	0.22

a/ Under the Brazilian system, a coffee tree consist of several trunks, spaced some six to twelve centimetres apart and giving the appearance of a single plant. Most frequently, either four or six trunks will constitute a tree, but in some cases the number may vary from two to eight. At any rate, for statistical and other purposes each cluster is counted as one tree.

b/ MN - Mundo novo (a selected strain of C. arabica L.var. bourbon (B. Rodr.) choussy introduced relatively recently).

C = Comun (C.arabica L., var. typica Cramer).

c/ ABu = Arenito de Baurú. TR = Terra roxa.

d/ Corn, beans, and rice are the crops most commonly inter-planted with coffee.

e/ In São Paulo State, the crop-year is usually from 1 October to 30 September.



FIGURE 1

COFFEE PRODUCTION PER HECTARE IN TWO SITIOS AND TWO FAZENDAS, 1956 - 1958

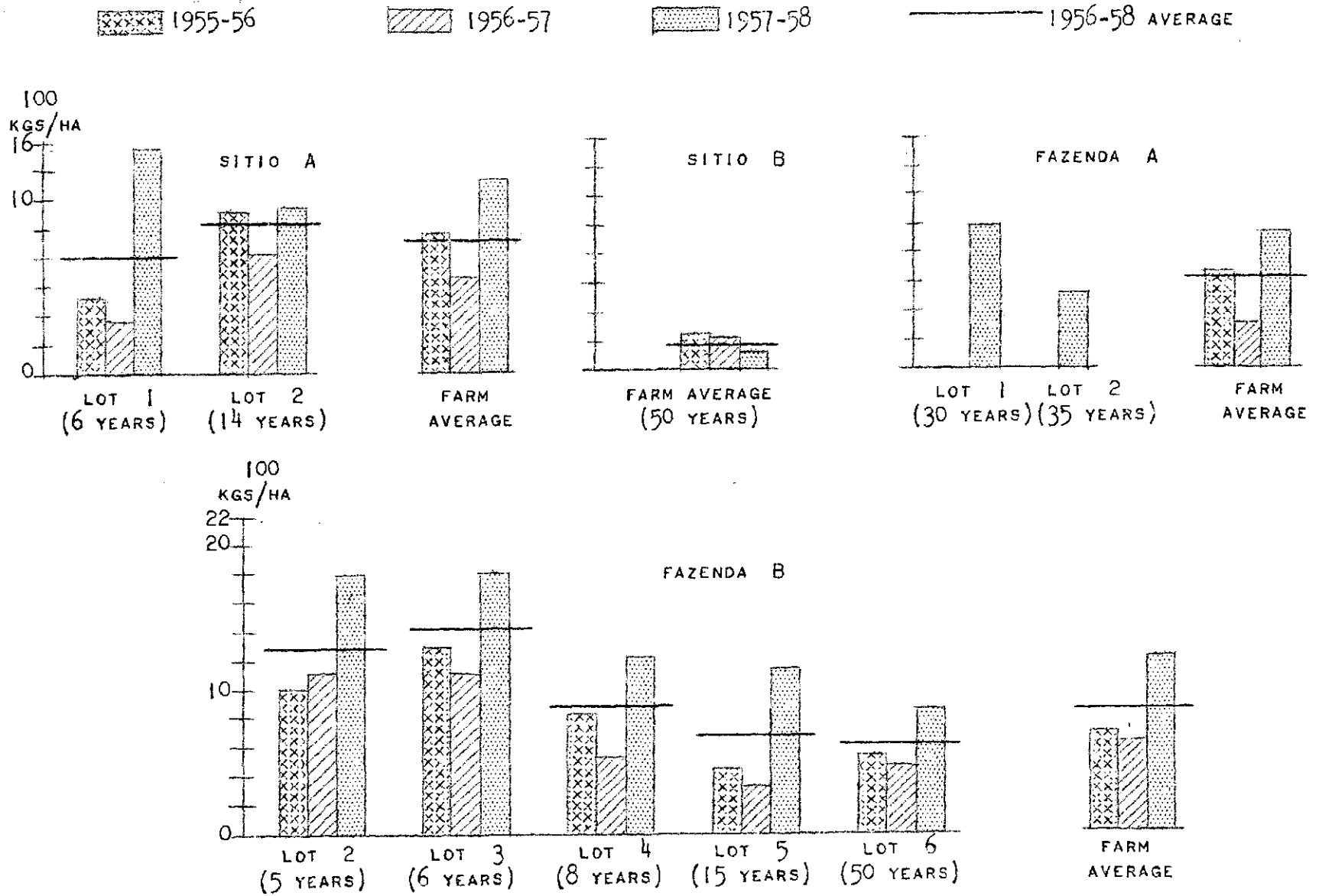


Table 5

## CHARACTERISTICS OF COFFEE PLANTING IN TWO REPRESENTATIVE FAZENDA

Item	Unit	Fazenda A			Fazenda B						
		Lot 1	Lot 2	Total	Lot 1	Lot 2	Lot 3	Lot 4	Lot 5	Lot 6	Total
Number of trees <u>a/</u>	Number	143 303	20 000	163 303	14 080	11 858	10 222	9 459	15 238	20 747	81 604
Number of trunks per tree	Number	4	4	4	4	4	4	4	4	4	4
Spacing of trees <u>b/</u>	metre	3.5	3.5	3.5	2.3x3.3	2.2x3.2	3.6	3.6	3.6	4.4	-
Area	hectare	174.24	21.78	196.02	14.52	10.89	7.99	8.71	13.07	28.80	83.98
Age	Years	30	35	-	1	5	6	8	15	50	-
Variety	-	Bv <u>c/</u>	Bv <u>c/</u>	Bv <u>c/</u>	MN <u>c/</u>	MN <u>c/</u>	Er <u>c/</u>	Bv <u>c/</u>	Bv <u>c/</u>	C <u>c/</u>	-
Soil type	-	ABu <u>d/</u>	ABu <u>d/</u>	ABu <u>d/</u>	M <u>d/</u>	M <u>d/</u>	M <u>d/</u>	M <u>d/</u>	M <u>d/</u>	M <u>d/</u>	M <u>d/</u>
Soil defense	trees	143 303	20 000	163 303	14 080	11 858	10 222	9 459	15 238	20 747	81 604
Interplanted crops <u>g/</u>											
1955-56 <u>f/</u>	"	-	-	-	-	-	-	-	15 238	-	15 238
1956-57	"	-	-	-	8 500	-	-	-	15 238	-	23 738
1957-58	"	-	-	-	8 500	-	-	-	15 238	-	23 738
Fertilizer applied per hectare in the years											
1956-58:											
N	kilogrammes	35.5	110.6	43.8	-	229.4	238.6	145.6	77.8	83.9	129.9
P 0 2 5	"	5.2	17.4	6.6	-	74.1	204.7	55.9	244.6	151.6	151.0
K 0 2	"	33.6	105.9	41.7	-	165.4	104.9	268.7	47.9	112.9	127.3
Organic matter applied per hectare in the years											
1956-58	metric tons	3.8	8.3	4.4	-	19.3	33.4	16.9	-	7.0	11.8
Total production											
1955-56	bags	...	...	2 100.0	-	176.7	171.7	119.7	95.0	271.7	834.8
1956-57	"	...	...	1 000.0	-	198.3	153.0	76.0	82.7	208.7	718.7
1957-58	"	2.863	188	3 051.0	-	325.8	238.2	178.0	249.9	410.6	1 402.5
Average 1955-58	"	...	...	2 050.3	-	233.6	187.6	124.6	142.5	297.0	985.3
Yield per hectare											
1955-56	"	...	...	10.71	-	16.22	21.49	13.73	7.27	9.43	12.0
1956-57	"	...	...	5.10	-	18.21	19.15	8.72	6.32	7.25	10.4
1957-58	"	16.43	8.63	15.56	-	29.91	29.82	20.44	19.12	14.26	20.2
Average 1955-58	"	...	...	10.46	-	21.45	23.48	14.30	10.90	10.31	14.2
Yield per bearing tree											
Average 1955-58	kilogrammes	...	...	0.75	-	1.18	1.10	0.79	0.56	0.86	0.86

a/ See footnote a/ of table 4. b/ When coffee is planted in squares only one dimension is given. c/ Bv = Bourbon vermelho (*C. arabica*, L. var. bourbon) MN = Mundo novo (a selected strain of *C. arabica* L. var. bourbon (B. Rodr.) choussy introduced relatively recently). C = Comum (*C. arabica* L., var. *typica* Cramer). d/ ABu = Arento de Baurú. M = Massapé. e/ See footnote d/ of table 4. f/ See footnote e/ of table 4. - = None.

Sitio A's planting is composed by two lots of 6 and 14 years of age, summing to 9,000 trees of Mundo Novo variety planted in rather narrow spacing, lacking soil defense, with maize and beans usually interplanted in most part of the coffee area, but with application of fertilizer and manure in the older lot. In summary, the planting characteristics and to a certain extent the techniques employed may be considered superior to those usually found in the majority of sitios. This qualification is confirmed by the production figures contained in table 4. The high yields obtained in the past three years are likely to continue and also increase in the future since the younger planting is only now entering the mature productive period. A pictorial comparison of the productivity level with the other cases is presented in the graph annexed.

Sitio E's planting at the other extreme of the productivity scale, consists of 10,000 trees of over 50 years of age, of Comum variety, rather widely spaced, interplanted every year and sometimes twice a year with grain crops, lacking soil defense and with application of organic matter as the only soil fertilization practice. These characteristics and techniques are reflected by the extremely low yields obtained during the last three years. As will be specified later on, maintenance of these types of plantings appears quite unprofitable and inconsistent with technical alternative presently existing.

Fazenda A's coffee is composed of two sections of 30 and 35 years of age, adding up to over 160,000 trees. While the first section belonged, since its establishment, to the fazenda, the second lot has been recently purchased from an adjoining sitio and is of lower productivity. Both sections are of Bourbon variety; the entire planting is on contours for soil conservation, interplanting is not practiced, and both fertilization and manuring are used with heavier application to the second lot with the objective of raising its productivity level. The over-all productivity is quite good considering the age and other characteristics of the planting and the technical practices followed are more up to date than those generally found in average fazendas. The labour requirements are provided by families of sharecroppers (parceiros).

Fazenda B's planting is much more heterogeneous than those described above. It is composed of an old section of 50 years of age of Comum /variety and

variety and of a series of younger lots with ages ranging from one to fifteen years. Of these the older ones (15.8, 6 years) are of Bourbon variety, and of Mundo Novo the younger ones (5 and 1 year). A rather large spacing was adopted in establishing the old section, spacing that has been narrowed for the younger plantings. Interplanting with grain crops has been practiced in the old section and in the lot of lowest productivity. Fertilization and manuring have been applied to the entire planting but more intensively to the younger sections. This higher fertilization has led to high yields of the 5 and 6 years planting which in 1957/58 bore a production of 1.65 and 1.40 kilogrammes of green coffee per tree.

Presentation of the resource requirements and later on of the efficiency indices in these farms may be conveniently clarified if preceded by a schematic description of the usual routine operations performed in adult coffee and the connected labour distribution in the State of São Paulo.

The coffee crop-year normally begins in October 1, date at which previous year's labour contracts expire and new ones are established. From October to February-March in general the main operations consist of a series of weeding varying from three to a maximum of seven mostly depending on weather conditions and labour availability. Weedings are normally hand performed with the help of a broad and heavy hoe; in some cases hand hoeing is facilitated by a previous cultivation in the middle of the row by an animal-drawn cultivator.<sup>17/</sup>

In March or April another cultivation, called arruação, is carried out. In addition to a normal cleaning, this operation includes a preparation of the ground for the harvest, scraping the soil clean under the skirt of the tree and shaping the débris into a basin which should ease collection of the fallen cherries. Harvest time varies considerably from year to year in accordance to the uniformity in the maturity of the cherries: usually, however, the bulk of the crop is harvested from about June 1 through August 31, but the full range of harvest is from about

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<sup>17/</sup> Cultivators of mechanical traction, introduced several years ago, have had very little success among coffee growers and are seldom used.

March 1 through late September. Actual picking is preceded by one or several collections of the cherries which had fallen on the ground. The collection is performed sweeping the ground and the operation is denominated varrição. Coffee picking is by hand: the usual method consists of stripping off the fruit-bearing branch, removing together with the cherries, many of the leaves and some of the buds. After a certain number of trees have been stripped off the soil around the tree is swept and cherries are roughly separated from foreign materials through sieving. The coffee is then put into bags and hauled to the farm headquarters where it is further sieved or floated in water, and separated to be dried on the drying terraces.

Right after the harvesting together with the first cultivation, the débris gathered into the tree basin are again scattered around the tree; this operation is called esparraçamento.

In addition to the routine operations applied to the whole plantation mentioned above, a series of other activities totally or partially applied to all plantings are sometimes carried out in adult coffee. They are essentially: fertilization and manuring, substitution of dead or old trees with young seedlings, shoot elimination, maintenance of the soil defense system, cleaning of the trees (removal of dead branches), insect and disease control and other minor ones. Fertilization and manuring are the major non-routine operations and are performed usually from October to December. Both materials are either scattered or buried in hoe-opened furrows in the middle of the row or around each tree. Usually fertilizer and manure are applied in a single operation; recently, however, the practice of fractioned applications of nitrogenic fertilizer is becoming quite widespread.

Relative proportion of performance of non-routine operations in the selected cases is presented in table 6.

Labour distribution. The sequence of the routine operations and of the occasional ones causes a rather uneven distribution of labour requirements through the year. Graphs 2 and 3, portraying monthly labour distribution per hectare of adult coffee in the two sítios and two fazendas, have been annexed. They indicate quite clearly the pattern of labour employment currently existing in the case coffee farms: labour application gradually

FIGURE 2

MONTHLY DISTRIBUTION OF LABOR PER HECTARE OF ADULT COFFEE IN TWO REPRESENTATIVE SÍTIOS

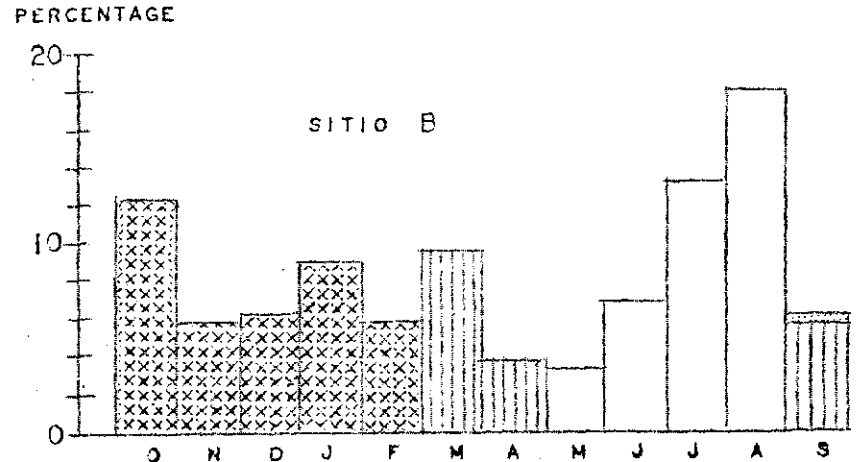
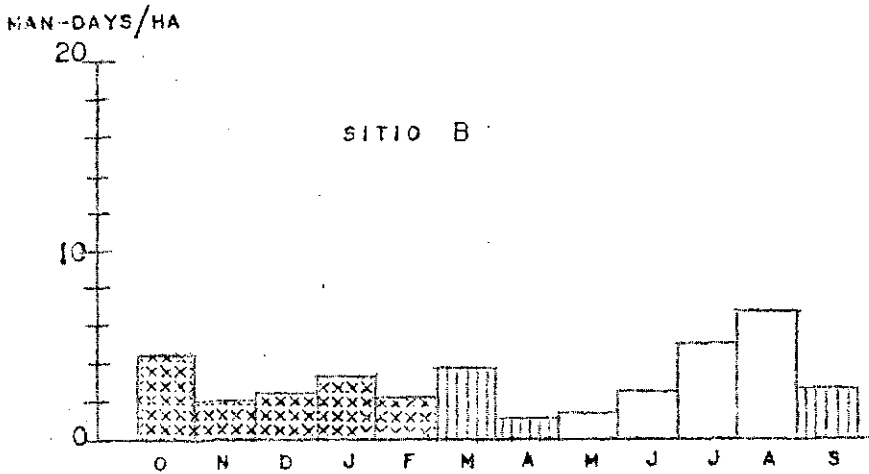
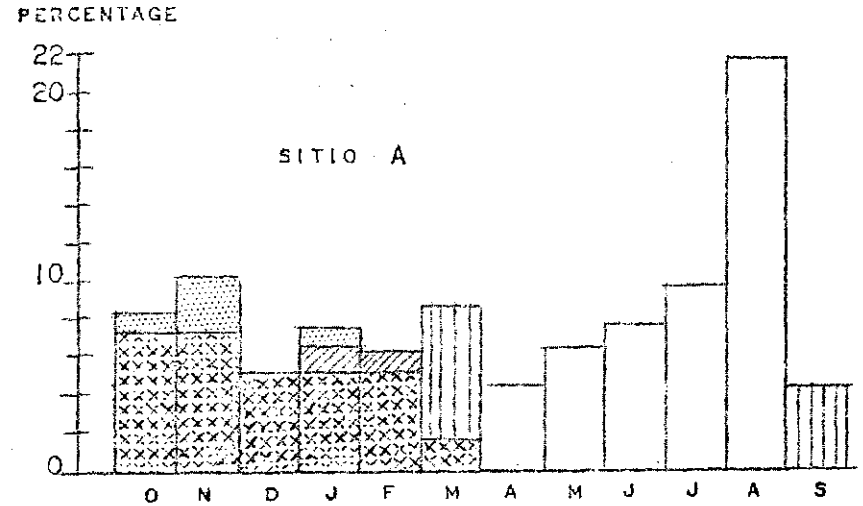
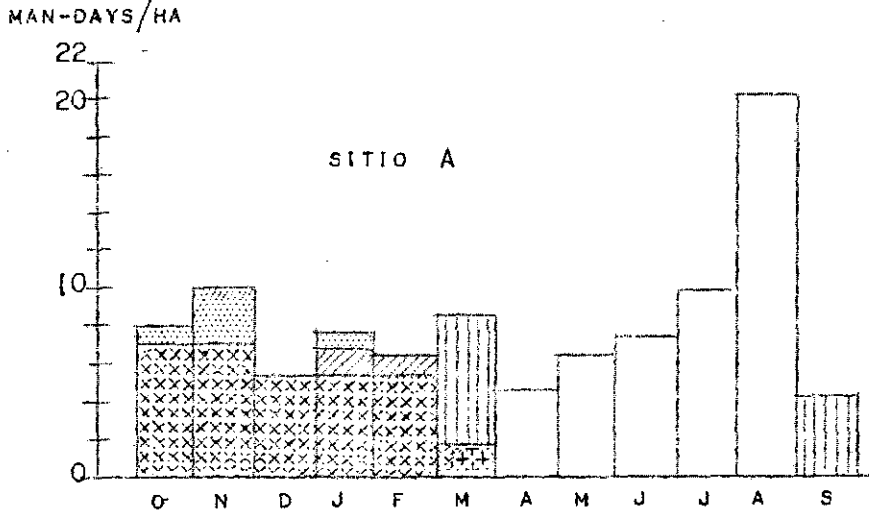
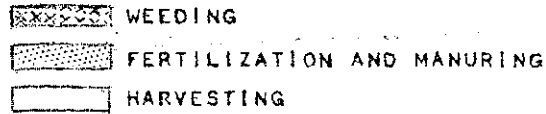


FIGURE 3  
MONTHLY DISTRIBUTION OF LABOR PER HECTARE OF ADULT COFFEE IN TWO REPRESENTATIVE FAZENDAS

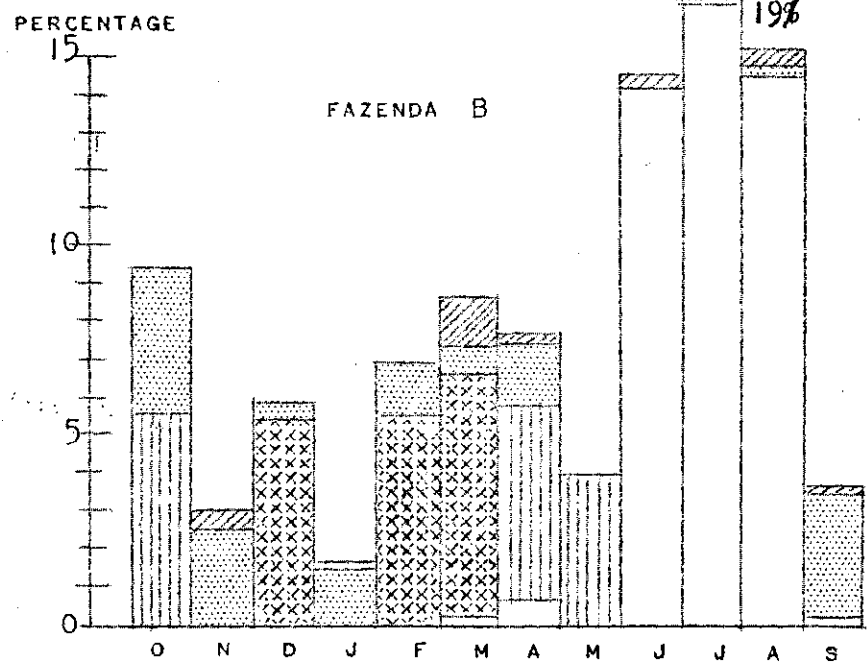
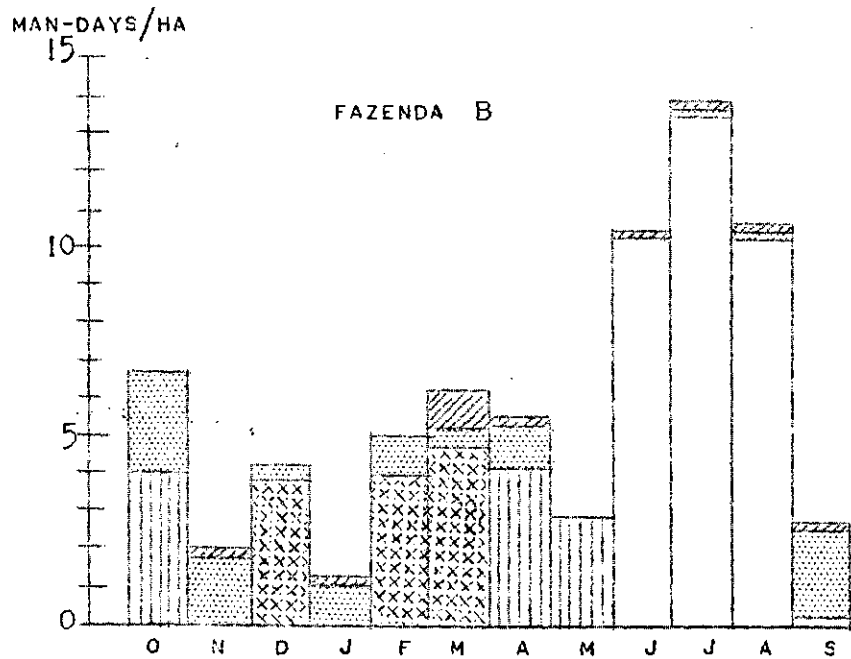
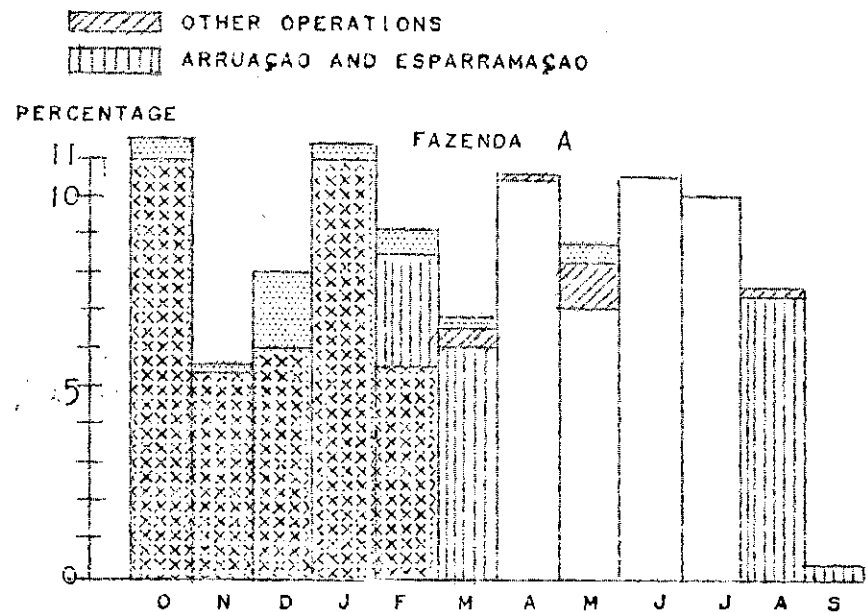
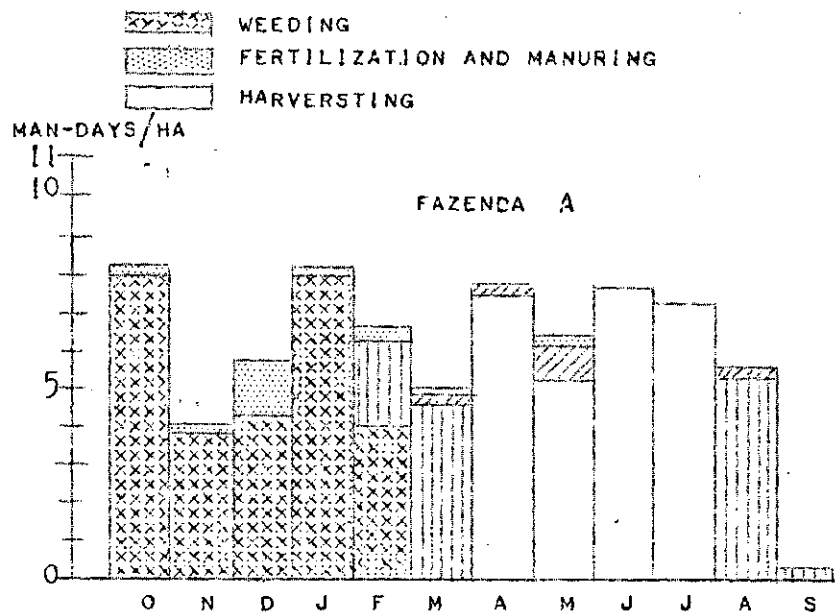


Table 6

RELATIVE PROPORTION OF NON-ROUTINE OPERATIONS PERFORMED  
ON ADULT COFFEE PLANTING IN TWO SITIOS  
AND TWO FAZENDAS a/

(Percentage of trees affected)

Item	Fertilization	Manuring	Replanting
<u>Sitio A</u>			
Lot 1	-	-	2.3
Lot 2	100	15	0.8
Total	63	10	1.0
<u>Sitio B</u>			
	-	-	-
<u>Fazenda A</u>			
Lot 1	100	8	0.2
Lot 2	100	100	1.0
Total	100	13	0.3
<u>Fazenda B</u>			
Lot 2	100	34	3.6
Lot 3	100	52	4.8
Lot 4	53	-	7.3
Lot 5	79	-	-
Lot 6	90	12	-
Total	86	17	2.4

a/ Non-routine operations are those that are not necessarily carried out on every planting or in every crop-year.

/raises to







raises to a peak during harvest time. The position of the month of highest labour requirements is not, however, constant: it may shift from year to year, and from region to region in accordance with the degree of maturity of the crop. In both sítios the peak has occurred in August while in fazenda B it has been anticipated to July. On the two sítios, aside from the absolute quantity of labour employed, about which considerations will be made later on, the pattern of employment is quite similar, as indicated by the two graphs expressed in percentual terms. As to the nature of the operations, in sítio A in the first five months, in addition to weeding also fertilization, manuring and replanting have been executed, while in sítio B, the activity was limited to extirpation of the weeds. Operations and labour distribution in the rest of the year are practically identical.

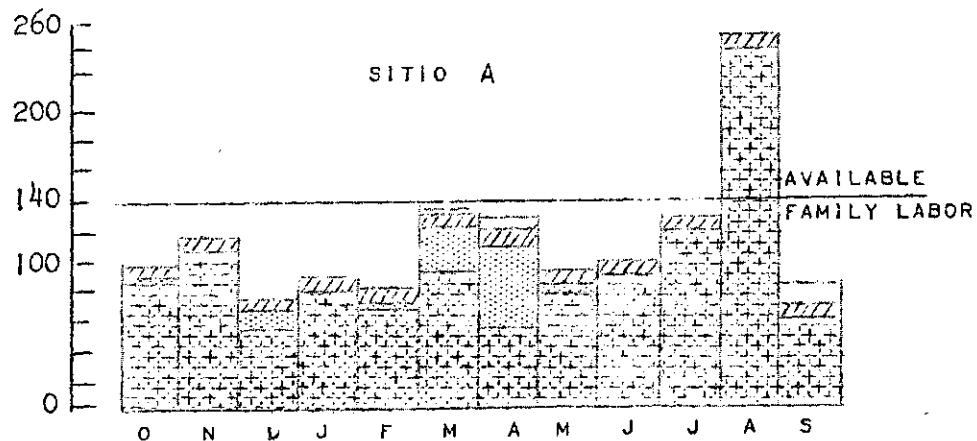
Rather different is, on the other hand, the distribution of labour between the two fazendas. Fazenda A presents a much more even employment throughout the year: troughs and peaks around the theoretical line of even employment of 8.3 per cent are less pronounced than in fazenda B. Two main factors explain this pattern: (1) the high specialization of enterprises, and (2) the labour contract. It has been mentioned before, that labour is secured in fazenda A through a sharecropping contract which stipulates, among other items, the obligation of maintaining the trees permanently free of weeds. This fact, jointly with the obvious personal interest of the sharecroppers in keeping the soil clean and the trees well cared for, causes a continuous and intense labour application throughout the rainy season. Harvest is also rather spread beginning in April with a series of varricao and then with picking carried out in May, June and July. As to the influence of the second factor, the limited importance of other crop enterprises does not cause any labour bottleneck thus permitting to spread out the operation. In fazenda B, where colonos labour is employed, workers are paid at a given rate per thousand trees weeded, and the number of weeding to be performed is established by the owner. This contract arrangement, together with labour requirements of other enterprises, which, as will be pointed out later on, in some instances conflict with coffee, induce the rather uneven labour distribution portrayed by graph 4.

/Efficiency indexes.

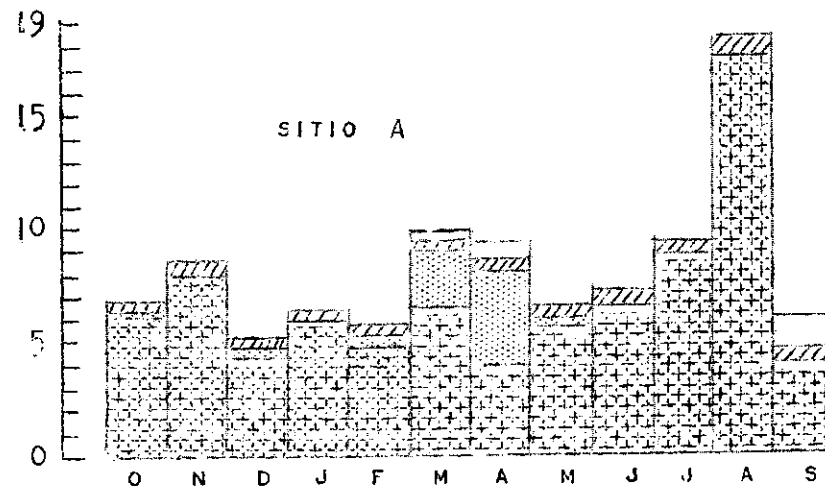
FIGURE 4  
MONTHLY DISTRIBUTION OF LABOR IN SITIOS PER CATEGORIES OF ENTERPRISES

 COFFEE       LIVESTOCK  
 OTHER CROPS       OVERHEAD ACTIVITIES

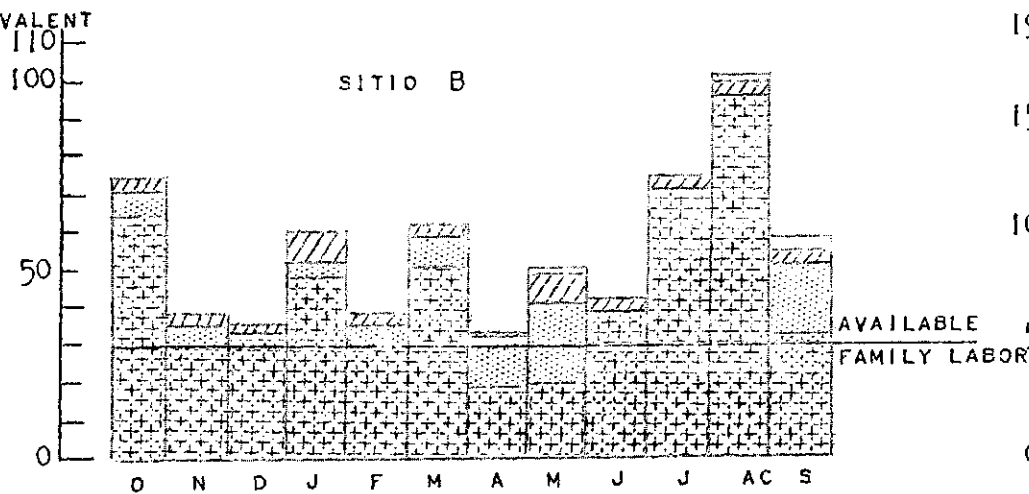
MAN-DAYS  
EQUIVALENT



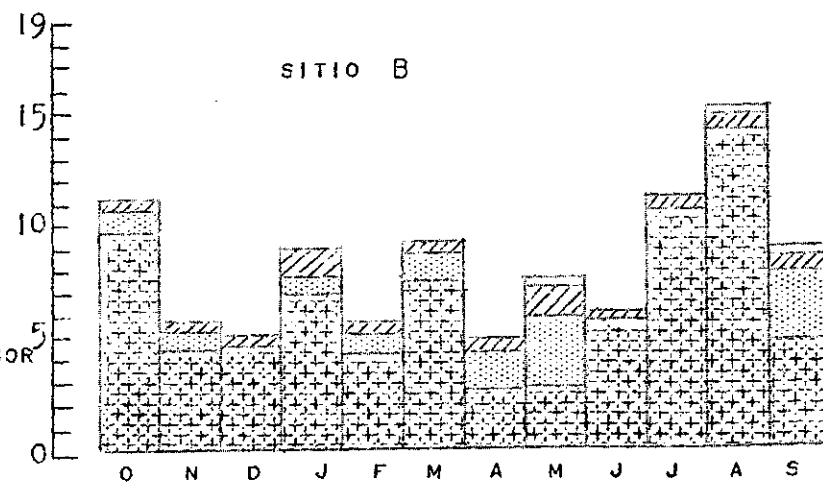
PERCENTAGE



MAN-DAYS  
EQUIVALENT



PERCENTAGE



Efficiency indexes. Sitios A and B resemble in the type of labour resources employed (man labour and animal-drawn vehicle for transports), and in the percentual labour distribution between categories of operations but differ remarkably in the operations performed and the volume of labour applied with them.

The former aspect has already been mentioned in the previous pages but the latter deserves a few comments. Differences in the volume of labour applied (e.g. 31.5 man-days per hectare spent in weeding in sitio A versus only 14.5 spent in sitio B) does not indicate simply a larger application of labour inputs (greater number of weedings or their more careful execution) but it reflects also differences between operation efficiencies induced by soil structure, weeds intensity and labour quality.

These factors tend to confound comparison of labour application between farms and between regions particularly when the figures confronted are quite close. But in cases like sitio A and B, even allowing for these disturbing elements, the difference in total labour applied per hectare (105 days in sitio A against 38.2 in sitio B) is of such magnitude that it doubtlessly indicates two different and quite distant levels of labour application.

If the characteristics of the planting of the two sitios are recalled and related to the quantity of input application, they explain the wide divergency existing between the input-output coefficients reported in table 6 and 7. While in average in sitio A 4.86 man-days (and resources with it associated) produced one bag of green coffee (60 kgs.), 18.4 man-days were needed in sitio B to attain the same result.

Fazendas A and B resemble quite closely in the type of operations, total labour inputs per hectare and man-days per bag. Main differences are encountered in the quantity of labour spent on weedings compared with other operations and in the intensity of tractor use. Regarding the first aspect, while the operations excluding harvest demand practically the same total amount of man-days per hectare in both farms (52.6 in fazenda A and 31.4 in fazenda B) its distribution among the individual operations differs remarkably. In fazenda A 23.3 days out of 32.6 are spent on weedings and the remaining portion on other operations; in fazenda B only 12.5 days are devoted to weedings and 13 days to other operations but

Table 7

PHYSICAL EFFICIENCY INDICES FOR ADULT COFFEE IN TWO SITIOS, 1957-58

Item	<u>S i t i o A</u>			<u>S i t i o B</u>
	Lot 1	Lot 2	Total	Total
<u>Cultivation efficiency indices</u>				
Man days (excluding harvest) per bag <u>a/</u>	1.36	2.43	2.03	9.22
Tractor days (excluding harvest) per bag <u>a/</u>	<u>b/</u>	<u>b/</u>	<u>b/</u>	<u>b/</u>
Vehicle (excluding harvest) per bag <u>a/</u>	-	0.02	0.01	0.07
Machine days (excluding harvest) per bag <u>a/</u>	<u>b/</u>	<u>b/</u>	<u>b/</u>	0.28
Animal days (excluding harvest) per bag <u>a/</u>	-	0.02	0.01	0.35
<u>Harvest efficiency indices</u>				
Man days (in harvesting) per bag <u>a/</u>	2.21	2.63	2.50	8.88
Tractor days (in harvesting) per bag <u>a/</u>	<u>b/</u>	<u>b/</u>	<u>b/</u>	<u>b/</u>
Vehicle days (in harvesting) per bag <u>a/</u>	0.05	0.05	0.05	0.09
Machine days (in harvesting) per bag <u>a/</u>	<u>b/</u>	<u>b/</u>	<u>b/</u>	0.28
Animal days (in harvesting) per bag <u>a/</u>	0.05	0.05	0.05	0.37
<u>Overall efficiency indices</u>				
Bags of green coffee per 10 000 trees	28.00	23.67	25.11	2.87
Bags of green coffee per hectare	26.09	19.56	21.56	2.05
Total man days per bags Kgs of green coffee per man day	3.86	5.48	4.86	18.40
Total tractor days per bag	<u>b/</u>	<u>b/</u>	<u>b/</u>	<u>b/</u>
Total vehicle days per bag	0.06	0.07	0.06	0.16
Total machine days per bag	<u>b/</u>	<u>b/</u>	<u>b/</u>	0.56
Total animal days per bag	0.06	0.07	0.06	0.72

a/ The coefficients are calculated including half of the days spent on arruação and esparração since about half of this operation is normal weeding.

b/ None.

/mainly to

mainly to manuring and fertilization.

The tractor is used more intensely in fazenda A, since there it is employed not only for the normal use of transport of manure, fertilizer, seedlings and bags of harvested coffee, but it also participates in the processing operating a mechanical dryer.

Tables 7 and 8 present physical efficiency indexes of the various lots in the two sítios and two fazendas.

For the type of superficial analysis within the scope of this paper it is sufficient to point out (1) the range of average labour productivity found between the selected cases and (2) the existence of divergence in productivity within the same farm.

Between farms, the productivity of labour ranges from a minimum of 3.24 kgs. of green coffee per man-day in sítio B to a maximum of 14.39 kgs. in fazenda B. Once again the position of these figures within the frequency distribution of resource productivities in coffee farms is not determinable at this stage of the study; however, they suggest the need of examining carefully in future phases of the analysis the aspect of resource productivities and therefore of resource allocation between coffee regions and coffee farms.

As may be logically expected, variability of labour productivity is also found within the same farm. Because of the differential characteristics of the various lots (age, variety, inputs of previous years) their bearing capacities are far from uniform and influence sizeably the average productivity of labour. The difference in kilogrammes of green coffee per man-day between lots was of 4.53 in sítio A. of 5.60 in fazenda A and 3.67 in fazenda B. The existence of these differences, especially considered under the light of the fact that labour resources, because of contracts and tradition, are rather uniformly applied throughout the planting without discriminating between the lots, suggest the convenience of devoting particular attention in future phases of the study to the problem of resource allocation within the farm. This area of inquiry has received very little attention so far in coffee farms, probably because, as far as labour is concerned, the type of contracts employed allowed very little flexibility in the level of its application between the lots. It appears, however, as if coffee growers might profit from recommendations resulting

Table 8  
PHYSICAL EFFICIENCY INDICES FOR ADULT COFFEE IN TWO FAZENDAS, 1957-58

Item	Fazenda A			Fazenda B					
	Lot 1	Lot 2	Total	Lot 2	Lot 3	Lot 4	Lot 5	Lot 6	Total
<u>Cultivation efficiency indices a/ b/</u>									
Man days/bag	2.25	4.70	2.40	1.34	2.67	1.80	1.53	1.71	1.77
Tractor days/bag	0.01	0.10	0.02	-	0.05	-	-	-	0.01
Vehicle days/bag	0.01	0.10	0.01	0.05	0.27	0.03	-	0.05	0.08
Machine days/bag	<u>c/</u>	<u>c/</u>	<u>c/</u>	<u>c/</u>	<u>c/</u>	<u>c/</u>	<u>c/</u>	<u>c/</u>	<u>c/</u>
Animal days/bag	<u>c/</u>	<u>c/</u>	<u>c/</u>	0.21	0.89	0.10	<u>c/</u>	0.19	0.27
<u>Harvest efficiency indices b/</u>									
Man days/bag	2.19	3.14	2.25	1.96	1.74	1.70	2.11	2.08	1.96
Tractor days/bag	0.02	0.01	0.02	-	0.01	<u>c/</u>	<u>c/</u>	-	-
Vehicle days/bag	0.02	0.01	0.02	0.03	0.07	0.03	0.05	0.05	0.05
Machine days/bag	<u>c/</u>	<u>c/</u>	<u>c/</u>	<u>c/</u>	<u>c/</u>	<u>c/</u>	<u>c/</u>	<u>c/</u>	<u>c/</u>
Animal days/bag	<u>c/</u>	<u>c/</u>	<u>c/</u>	0.14	0.25	0.12	0.20	0.18	0.18
<u>Overall efficiency indices</u>									
Bags of green coffee/1 000 trees	19.98	9.40	18.68	27.47	23.31	18.82	16.40	19.79	20.77
Bags of green coffee/hectare	16.43	8.63	15.56	29.91	29.82	20.44	19.12	14.26	20.19
Total man days/bag	4.58	8.00	4.79	3.74	4.86	3.94	4.08	4.23	4.17
Kg of green coffee per man/day	13.10	7.50	12.52	16.02	12.35	15.21	14.69	14.17	14.39
Total tractor days/bag	0.05	0.13	0.06	-	0.06	-	-	0.01	0.01
Total vehicle days/bag	0.03	0.11	0.04	0.09	0.34	0.06	0.05	0.10	0.13
Total machine days/bag	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Total animal days/bag	0.01	0.01	0.01	0.35	1.14	0.22	0.20	0.37	0.45

a/ Excluding harvesting.

b/ See footnote a/ of table 7.

c/ None.

from more profound and detailed analyses of this problem.

It must be remembered that the data discussed above refer to the crop-year 1957-58. With the purpose of reducing the limited significance of efficiency coefficients based on one crop year only, the same indexes have been recalculated for the selected cases on the basis of the 1956-58 average production (see table 9). It has been assumed that in the previous two years (1955-56 and 1956-57) identical quantities of labour resources had been applied. This assumption should not be very unrealistic since significant modifications in the cultivation techniques have not occurred.

Variability in resource use between years are due mostly to changes in operation efficiency engendered by climatic conditions.

Since in all the selected cases, with exception of sitio B, 1957-58 was a year of higher yields than the previous two, the recomputation on the average basis has the effect of raising input-output coefficients and lowering average labour productivity.

The differences, however, are not too large and fall within the range of variation which may be reasonably expected as a consequence of year to year production variability.

#### VII. COMBINATION OF ENTERPRISES, LABOUR DISTRIBUTION AND GROSS INCOME SHARES

It has been mentioned earlier that diversification is an all but uniform characteristic of coffee farms. It has been influenced in its development by a multiplicity of factors such as market incentive to introduce other cash enterprises, convenience to keep in the farm enterprises complementary with coffee and the necessity to produce consumption goods for the farm labour. These factors have usually simultaneously influenced the diversification process in the fazendas producing manifold diversification patterns, but in the sitios the enterprise combination seems to be quite standard.

Sitios A and B are both very specialized since other enterprises are limited to grain crops interplanted in coffee and few heads of dairy cattle. As a consequence of this structure resource requirements, and specifically labour, are very little affected by enterprises other than coffee. The monthly labour distribution per categories of enterprises

Table 9

AVERAGE PHYSICAL EFFICIENCY INDICES FOR ADULT COFFEE IN TWO SITIOS  
AND TWO FAZENDAS, AVERAGE 1956-58 a/

Item	<u>Sitio A</u>	<u>Sitio B</u>	<u>Fazenda A</u>	<u>Fazenda B</u>
<u>Cultivation efficiency indices</u>				
<u>average b/</u>				
Man days/bag	2.70	7.13	3.57	2.52
Tractor days/bag	-	-	0.03	0.02
Vehicle days/bag	0.01	0.05	0.02	0.11
Machine days/bag	-	0.22	-	-
Animal days/bag	0.01	0.27	-	0.38
<u>Over-all efficiency</u>				
Bag of green coffee/1 000	18.88	3.71	12.55	14.59
Bag of green coffee/ha	16.21	2.65	10.46	14.18
Total man days/bag	5.52	16.43	5.96	4.92
Kg of green coffee per man day	10.87	3.65	10.07	12.19
Total tractor days/bag	-	-	0.08	0.02
Total vehicle days/bag	0.06	0.14	0.04	0.15
Total machine days/bag	-	0.50	0.05	0.05
Total animal days/bag	0.06	0.64	0.01	0.56

a/ Average indices are computed on the assumption that resource requirements are the same as in previous years. This assumption should be very realistic since significant modifications in cultivation techniques have not occurred. Variations in the utilization of resources between years are due mostly to changes in operational efficiency caused by climatic conditions.

b/ Excluding harvestry.

/is presented



is presented in graph 4.

Aside the difference in the volume of labour applied mentioned before, the pattern of the labour distribution through the year is very similar in both sitios. Coffee requirements are to a small extent increased by those of other crops and of livestock, somewhat more intensively in the period from March to May, the other crops' harvest time.

However, the comparison of these two labour distribution with the available family labour suggest a few interesting considerations.

In the first place, other crops and livestock from the standpoint of labour utilization may be viewed as supplementary enterprises in sitio A but they become competitive in sitio B.<sup>18/</sup> In fact, the family labour force in sitio A seems well adjusted to farm's size and with the exclusion of the month when the bulk of the coffee crop is harvested, coffee's labour requirements fall well below the labour availability line. Other crops and livestock in this case supplement the resource utilization and do not conflict with coffee's labour exigencies. And if 1957/58 labour requirements and distribution may be considered to represent those occurring in other years, it would seem feasible to increase the size of the livestock enterprises, possibly hogs (since the pasture area is very limited), thus utilizing more fully family's labour availability and adding to the farm's gross receipts.

An opposite situation characterizes sitio B. Not only other crop and livestock compete with coffee in the utilization of labour but relationship between family's labour force and size of the farm seems to be out of proportion since outside labour is permanently needed.

Recalling the characteristics and productivity of sitio B's planting it should be fairly reasonable to set forth that not the best course of action has been adopted. It should be much more profitable: (1) to substitute gradually the old planting with a new one based on higher technical level, and (2) to restrict the size of the orchard within potentiality of the family labour. Under the hypothesis of substitution

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<sup>18/</sup> An enterprise is considered supplementary when it does not compete with others in utilization of the farm's bundle of resources. Competing enterprises, instead compete for use of the farmer's resource.

of the present planting with one of characteristics and productivity comparable to lot 2 of fazenda B the family's labour supply of about 300 man-day would reap, when the planting had attained full productivity, 4,800 kilogrammes of green coffee against the actual 972. Considering that sizeable portion of São Paulo's sítios are probably similar in size and productivity to sítio B, it seems very convenient to devote specific attention in the final report to the problem of resource productivity and reorganization in low income family-operated coffee farms.

Monthly labour distribution of the two fazendas is presented in graph 5. Fazenda A has the kind of distribution characteristic of specialized coffee fazendas, with requirements of other crop and livestock in constant but modest amount through the year. Coffee labour requirements, as mentioned earlier, are fulfilled through sharecropping contracts while other enterprises and overhead activities are cared for by daily and monthly wage workers. From this point of view, relationships between enterprises may be classified as independent since limited conflict exists in the utilization of labour of the different categories of workers.

Much more diversified and complex appears the labour distribution in fazenda B. Coffee labour demands do not predominate like on the previous instances but do play a rather modest role in comparison with other activities. The main competition is the one existing between coffee and onion since the peak of labour requirements of both crops practically coincide. Competition is further strengthened by the fact that coffee's colonos are at the same time onion sharecroppers thus potentially creating a severe problem of resource allocation.<sup>19/</sup>

The dairy cattle enterprise, under the technical level adopted in this farm, also presents a peak of greater labour demand from February to April when silage for the dry season is cut and prepared.

To complete this schematic presentation of enterprises relationship it may be of interest to consider the percentage distribution of gross

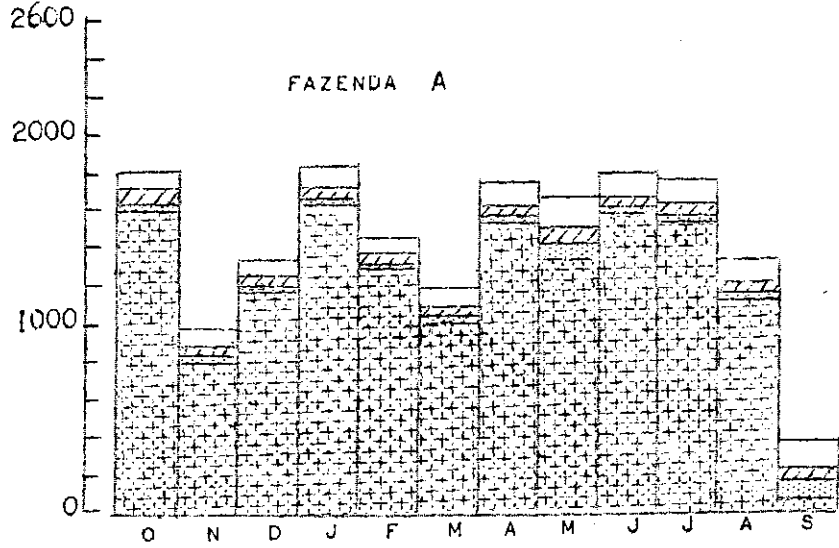
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<sup>19/</sup> It should be pointed out that 1957/58 has been an exceptional year for onions in the crop system. Expectation of favourable prices have induced producers of the Mogiana region to extend onion cultivation in their farms beyond the ordinary area.

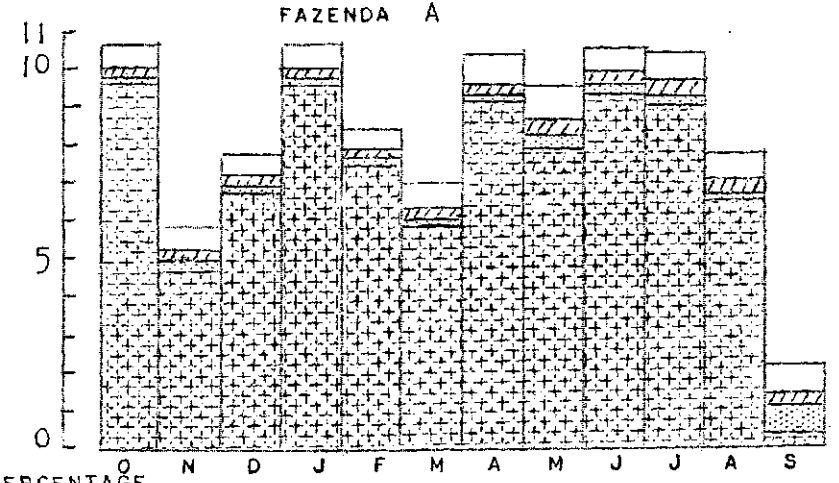
FIGURE 5  
MONTHLY DISTRIBUTION OF LABOUR IN FAZENDAS PER CATEGORIES OF ENTERPRISES

COFFEE      LIVESTOCK  
OTHER CROPS      OVERHEAD ACTIVITIES

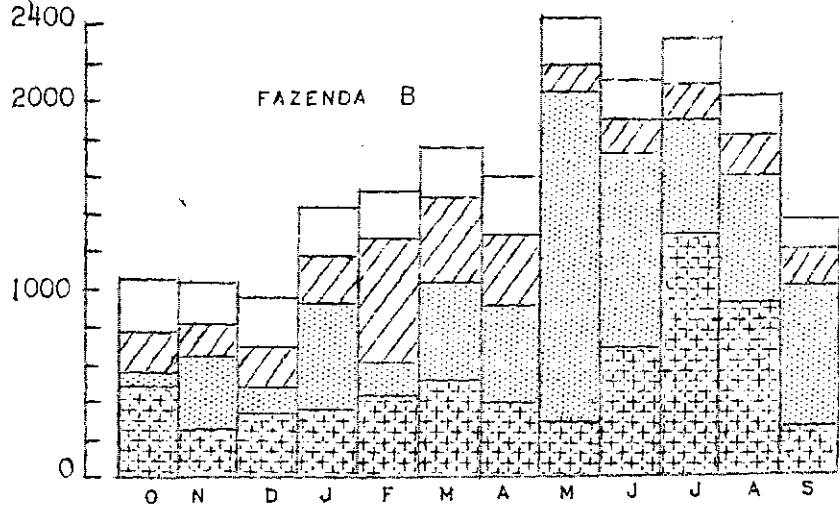
MAN-DAYS EQUIVALENT



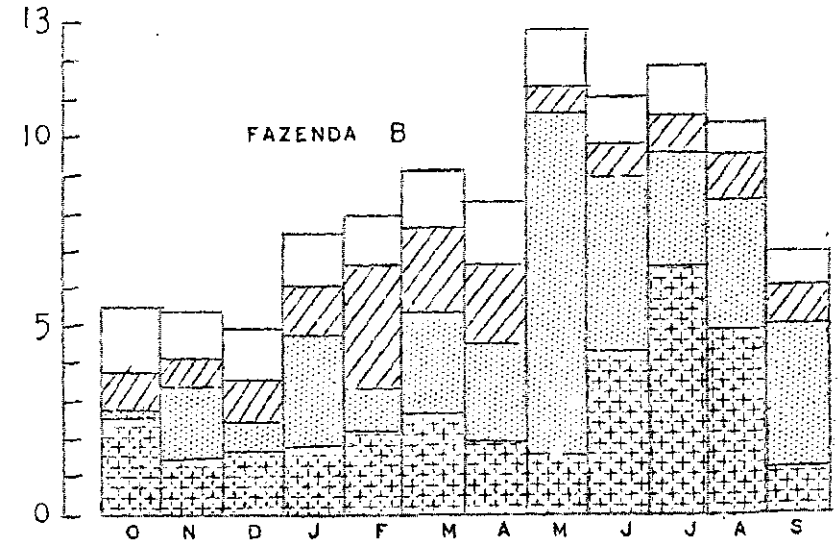
PERCENTAGE



MAN-DAYS EQUIVALENT



PERCENTAGE



income between categories of enterprises. As it may be expected this distribution shows a high degree of correlation with labour distribution among enterprises. In both sitios and fazenda A coffee's share is above 90 per cent. In fazenda B coffee and other crops apparently contribute in the same proportion to gross income and livestock also participates with a sizeable share. On the basis of subjective knowledge about the populations of coffee sitios and fazendas in the State, it is felt that the proportional distribution portrayed by the two sitios and fazenda A is the one which characterizes the majority of coffee farms. Even when diversification exist, very seldom it reaches the proportion encountered in fazenda B (see figure 6).

The very specialized kind of production plan obviously combines characteristics of high profit and high risk, enjoying large returns during the periods of favourable prices but being at the same time exposed to the storms of the coffee market. Combination of enterprises like that represented by fazenda B represents a less risky choice of production plan: the entrepreneur renounces during the years of high coffee prices to higher returns to the resources he manages but guarantees alternative sources of income during adverse phases of the coffee market.

#### VIII. NET INCOME STATEMENTS AND GROSS AVERAGE VALUE PRODUCTIVITY OF LABOUR

Considerations made in the previous sections about availability and utilization of production factors, resource requirements in coffee, and relationships between enterprises in the selected cases, may be conveniently complemented considering the expense and receipt items of their budgets. Net income statements of the two sitios and two fazendas are presented in tables 10 and 11 respectively.

As one would reasonably expect, the expenses and receipts figures confirm the relationships between farms and within farms that physical

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19/ It should be pointed out that 1957/58 has been an exceptional year for onions in the crop system. Expectation of favourable prices have induced producers of the Mogiana region to extend onion cultivation in their farms beyond the ordinary area.

Table 10  
NET INCOME STATEMENTS OF TWO REPRESENTATIVE SITIOS  
(Cruzeiros)

Item	<u>Sitio A</u>		<u>Sitio B</u>	
	Amount	Percent- age	Amount	Percent age
<u>Variable expenses</u>				
Maintenance of work animals	8.25	1.4	-	-
Maintenance of buildings and improvements	71	0.1	-	-
Livestock expenses	15 718	27.2	8 600	24.3
Crop expenses	20 974	36.3	360	1.0
Wages	7 775	13.5	23 974	67.6
1. Total variable expenses	45 363	78.5	32 934	92.9
<u>Fixed expenses</u>				
Depreciation quotas <u>a/</u>	12 440	21.5	2 526	7.1
Taxes	-	-	-	-
2. Total fixed expenses	12 440	21.5	2 526	7.1
3. Total expenses (1 + 2)	57 803	100.0	35 460	100.0
<u>Receipts</u>				
4. Livestock receipts	-	-	1 700	1.8
Crops receipts				
Coffee	382 000	90.4	45 650	47.8
Beans	1 800	0.4	-	-
Bananas	-	-	1 415	1.5
5. Total crop receipts	383 800	90.8	47 065	49.3
6. Other receipts	-	-	2 780	2.9
7. Gross cash income (4+5+6)	383 800	90.8	51 545	54.0
8. Products used in the farm	37 380	8.8	30 022	31.5
9. Crops and livestock net inventory change	+ 1 500	0.4	+13 850	14.5
10. Total gross income (7+8+9)	422 680	100.0	95 417	100.0
11. Net cash income (7-3)	325 997	-	16 085	-
12. Net farm income (10-3)	364 877	-	59 957	-

a/ Including depreciation of work animals, buildings and improvements.

/Table 11

FIGURE 6

PERCENTAGE DISTRIBUTION OF GROSS INCOME BETWEEN ENTERPRISES  
IN TWO SITIOS AND TWO FAZENDAS

COFFEE  
OTHER CROPS  
LIVESTOCK

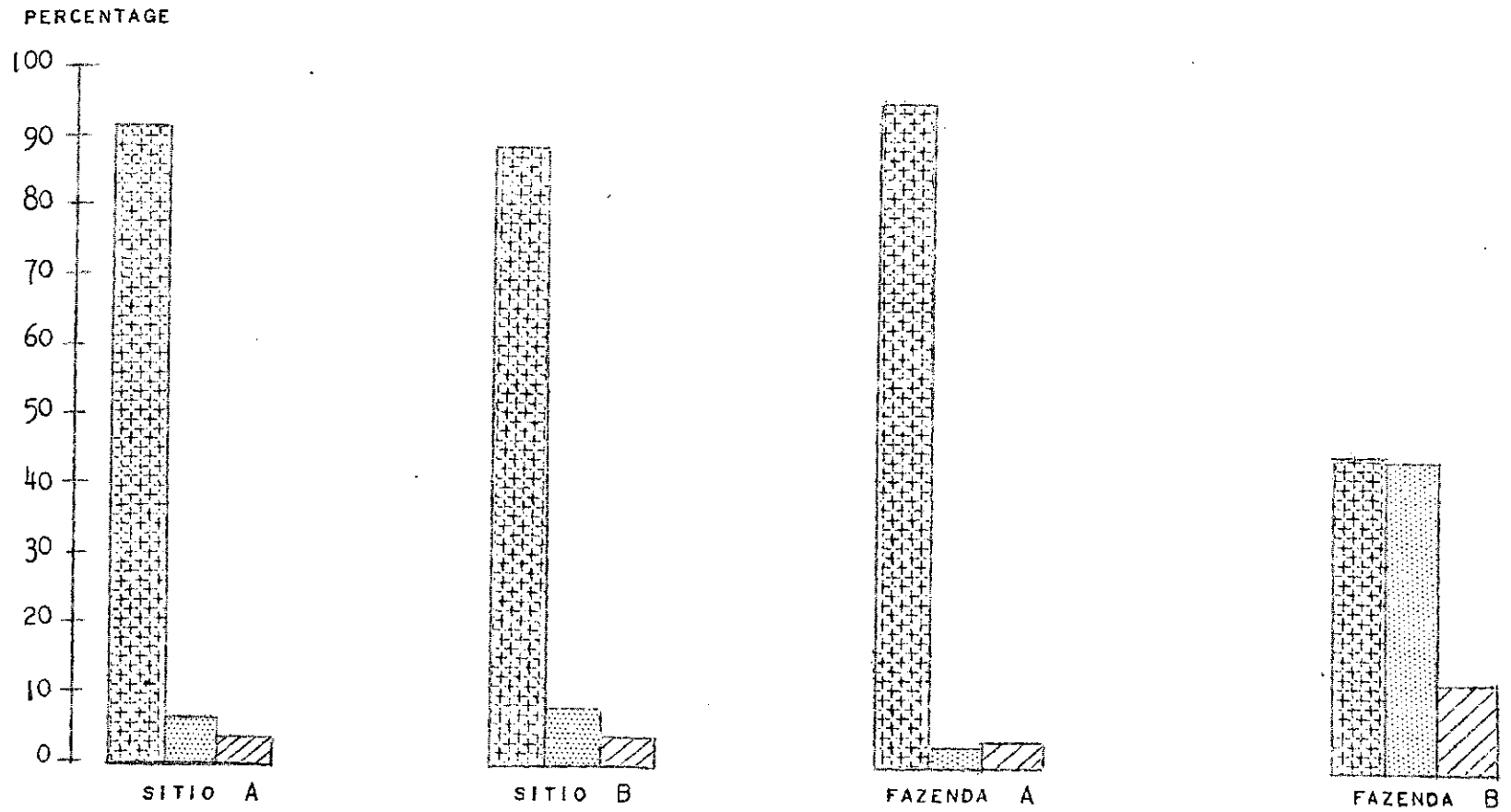


Table 11

NET INCOME STATEMENTS OF TWO REPRESENTATIVE FAZENDAS  
(Cruzeiros)

Item	Fazenda A		Fazenda B	
	Amount	Per- cent- age	Amount	Per- cent- age
<u>Variable expenses</u>				
Maintenance of machines and vehicles	58 514	1.7	32 697	0.8
Maintenance of work animals	6 600	0.2	-	-
Maintenance of buildings and improvements	68 071	1.9	38 983	1.0
Fuel and lubricants	64 134	1.8	119 247	3.0
Livestock expenses	29 410	0.8	120 804	3.0
Crop expenses	767 162	21.9	660 070	16.5
Wages	2 324 827	66.4	2 296 489	57.4
Light, telephone	-	-	46 869	1.2
Other expenses	25 214	0.7	33 531	0.8
1. Total variable expenses	3 343 932	95.4	3 348 690	83.7
<u>Fixed expenses</u>				
Depreciation quotas a/	147 597	4.2	61 185	1.6
Taxes	11 992	0.4	36 858	0.9
Interest b/	-	-	552 370	13.8
2. Total fixed expenses	159 589	4.6	650 413	16.3
3. Total expenses (1+2)	3 503 521	100.0	3 999 103	100.0
<u>Receipts</u>				
Livestock receipts				
Beef	-	-	55 038	1.0
Dairy cattle	155 425	2.9	511 051	9.3
Hogs	4 110	0.1	55 094	1.0
4. Total livestock receipts	159 535	3.0	621 183	11.3
Crop receipts				
Coffee	5 034 150	93.2	2 376 816	43.4
Castor beans	20 250	0.4	-	-
Onion	-	-	1 904 242	34.8
Beans	-	-	13 500	0.2
Corn	-	-	36 829	0.7
Lumber	-	-	74 969	1.4
5. Total crop receipts	5 054 400	93.6	4 406 356	80.5
6. Other receipts	21 691	0.4	60 816	1.1
7. Cross cash income (4+5+6)	5 235 626	97.0	5 083 354	92.9
8. Products used in the farm	129 500	2.4	447 160	8.2
9. Crop and livestock net inventory change	29 700	0.6	-59 400	-1.1
10. Total gross income (7+8+9)	5 394 826	100.0	5 476 114	100.0
11. Net cash income (7-3)	1 732 105	-	1 089 251	-
12. Net farm income (10-3)	1 891 305	-	1 477 011	-

a/ Including depreciation quotas for machines and vehicles, work animals, buildings and improvements.

b/ It was not possible to obtain information on interest and other expenses paid on farm loans by Fazenda A. The amount may be estimated to be about 200 000 cruzeiros. Net income would then be smaller by an approximately corresponding amount.

coefficients exposed in the previous pages had suggested. The two sitios differ not only as to the size of both expenses and receipts but also their proportional composition. In sitio A since the family labour supply is almost adequate to the labour requirements, the main item of outlay is composed of livestock and crop services, that is variable capital of immediate return, while in sitio B 68 per cent of the total expenditure consists of hired labour. As to the receipts, 91 per cent are cash receipts in sitio A against only 54 per cent in sitio B. In fact, in the latter, products used inside the farm account for 32 per cent of total gross income. The differences are also very remarkable in absolute terms: at the end of the crop year sitio A disposes of 326 thousand cruzeiros versus only 16 thousand in sitio B. If the size and relation of these figures may be considered typical of other crop-years, as they likely are, they show clearly the productivity divergence between the two sitios. Sitio A disposes at the end of the productive year of a relevant amount (about 256 per cent over the total capital investment) part of which he will be able to reinvest in the farm after taking care of the consumption needs of his household. In this fashion he will be able to maintain at high level the productivity of his labour supply. Sitio B, on the other hand does dispose in cash of a sum which can barely satisfy the exigencies of the household. Possibility of reinvestment in the farm does not exist and given the physical characteristics of its coffee planting, the owner-operator will face a continuing decrease in productivity of his family labour efforts.

A comparison of the budgets of the two fazendas, contained in table 11, shows a close degree of analogy of their expense structure, with hired labour being logically the major item (the lack of information about the amount of interests on loan paid by fazenda A weakens the comparison in this area). The composition of receipts reflects the degree of specialization and diversification pointed out in the previous pages, with coffee contributing with 93 per cent of total gross income in fazenda A and only 43 per cent in fazenda B. The large portion of receipts forthcoming from onions in the second fazenda is, however, rather exceptional: a favourable combination of crop area, good yield and high price.

/It should



It should be pointed out that, because of the nature of the farm structure, composition of net farm income in the two fazendas does not coincide with composition of the same item in the two sitios. In the first case it represents mere remuneration of capital and of managerial activity, while in the second instance it includes also return to the family labour.

As a conclusion of this schematic and preliminary analysis of a few representative cases, table 12 presents gross average value productivity of labour in different categories of enterprises. They have been computed dividing the gross income of cash class of enterprises (coffee, other crops, livestock) by the number of man-days in it employed. However, two estimates of the same figure have been computed: the first considering exclusively the numbers of man-days specifically employed with the enterprise during the crop-year, the second increasing this amount by a share of the labour spent in overhead activities (the share has been determined proportionally on the basis of the labour demanded by each class of enterprises). Comparison of these two estimates suggests in a rough manner, the impact of the increase in size of the economic unit on the productivity of resources. In the case of coffee, for instance, inclusion of overhead activities lowers productivity of labour of only 1.30 and 8.30 cruzeiros in sitios B and A respectively, but of 26 and 59 cruzeiros in the two fazendas. The weight of a larger economic unit to manage and supervise, affects sensibly the level of productivity of the resources.

As to comparative productivity between categories of enterprises, the normal pattern in the selected cases seems to be of decreasing productivity as we move from coffee, to other crops and to livestock.

It should be remembered, however, that these productivity figures are of a gross nature. They have been obtained dividing gross income by the number of man-days. Therefore they include also return to capital. Even though they do not constitute precise estimates, they provide an idea of global resource productivities. Accurate estimates of individual resource productivities will be calculated in subsequent phases of the study and included in the final report.

Table 12  
GROSS AVERAGE PRODUCTIVITY OF LABOUR  
(Cruzeiros per day)

Enterprise	Sitio A		Sitio B		Fazenda A		Fazenda B	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Coffee	347.70	339.40	86.00	85.30	312.80	286.80	383.40	324.10
Other crops	243.30	237.40	51.20	50.80	232.30	213.20	330.30	279.30
Livestock	198.30	193.50	37.80	37.40	262.50	240.60	219.00	185.20
Average productivity in all enterprises	-	322.80	-	77.90	-	282.90	-	279.50

- (1) The gross average productivity of labour is computed exclusively on the basis of the number of man/days spent in each class of enterprise.
- (2) The gross average productivity of labour is computed by adding to the number of man/days spent in each class of enterprise a proportional share of the labour spent in overhead activities.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

ADDRESS DELIVERED BY HIS EXCELLENCY ERNESTO DE LA GUARDIA, JR.,

PRESIDENT OF THE REPUBLIC, AT THE OPENING MEETING,

ON THURSDAY, 14 MAY 1959

In the name of the people and the Government of the Republic of Panama, and on my own personal behalf, I bid you a most cordial welcome in declaring open this eighth session of the United Nations Economic Commission for Latin America. I trust that you will bear with me if I take this opportunity of making a few remarks in addition to assuring you of the pleasure and honour that it is for the Panamanian people to have you here in our country and promising the wholehearted co-operation of the Government that is privileged to witness the success of your work.

Without disparaging the usefulness of the meetings previously held by this body, exceptional importance may be attributed to the session inaugurated today, both because of the juncture at which it is taking place and because of the topics to be studied and discussed. The peoples of Latin America are passing through a phase pregnant with suffering, hope, needs and uncertainties. Problems of every sort loom up like unknown monsters between them and their prospects of a higher standard of living. Economic, moral, social and political difficulties

/and maladjustments

and maladjustments lie in ambush at every step, and, one after another, breed conflicts and provoke reactions of which the consequences are usually disastrous. It is no easy matter to determine the causes of such a phenomenon without incurring the risk of lapsing into unilateral statements or vague generalizations. But it might safely be asserted, in the light of inquiries conducted in several directions and from different points of departure, that the underlying cause of the violent upheavals which are convulsing the body politic of Latin America is the complex of problems inherent in its present stage of social and economic evolution. The term invented to describe the existing state of affairs is "under-development", which, although criticized by some as inaccurate or inadequate, has been widely accepted as a common denominator for the set of peculiar features shared by the economies of Latin America, and as a basis and connecting-link for possible and proposed forms of action calculated to deliver our peoples from their present predicament.

During the years which have elapsed since the end of the Second World War - which mankind prays will be the last - far-reaching and intensive research, analysis and study have been focused on Latin America's economic problems at both the national and the continental level. At the same time, projects have been formulated with a view to guiding and spurring on the development of these economies as the satisfaction of the peoples' most pressing needs requires. In such activities, an outstanding part has been played by this regional agency of the United Nations, the Economic Commission for Latin America, now assembled

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in my country to review its most recent activities and draw up a programme for its future work. The partial and special surveys made by officials of ECLA or by groups of technical experts under its direction and the general studies on the situation of Latin America which it carries out and publishes year by year not only provide very valuable information on the structure and development of the Latin-American economy, but are helping to establish the right attitudes and appropriate methods for understanding the true position of Latin America and for dealing with its problems.

Thus there exists already a doctrine, a comprehensive view of the economic and social situation in Latin America and a systematic programme of decisions to be taken, which can serve as the basis for coordinated action on a continental scale to solve the problems of immediate subsistence and future expansion which at present weigh on the minds of the peoples and leaders of Latin America. That is the reason why I stated at the beginning of my speech that the eighth session of the Economic Commission for Latin America has an importance without precedent in the history of the organization and must plan to achieve practical results in the immediate future. The peoples of Latin America are today at a most delicate psychological juncture, where the accumulation of long suffered privation makes them impatient for a change that will improve their position. But since their urge for sweeping and immediate action is not governed by a full appreciation of the realities of their situation and by a nation-wide understanding of the methods

/which must

be adopted to solve their problems or of the objectives which can be attained, there is the obvious danger that despair will make the masses listen to the voice of irresponsible demagogy, which promises them everything immediately, and give themselves over, albeit momentarily, to ventures which only result in frustration and disillusion and create still greater obstacles to the reorganization of our economies.

It is clear that definite programmes are required to enable us to pass from theory and preliminary trial to concrete action, both immediate and long-term, and steadily improve the standard of living of the Latin-American peoples. That, in my opinion, must be the high ideal towards which the work of this session must tend. Study and consultations, these, as we know, are ECLA'S activities and it cannot go beyond the recommendations made to it. But even within these terms of reference, it fulfils the function of helping and encouraging the adoption and execution of practical decisions. The meaning which it impresses on its debates and the accent which it gives its conclusions will on this occasion give them greater effect. The agenda which serves as a guide for this meeting gives an indication of the most urgent questions which confront the nations of Latin America on the road to economic development. The extension and consolidation of the basic economic structure as a prerequisite for steady and balanced development, the expansion of trade between the countries of Latin America and the establishment of foundations for greater coordination with a view to progressive integration of their national economies - these are not

/theoretical matters,

theoretical matters, but imply a plan for immediate action of which they are part. Indeed, the underdevelopment, chronic unemployment and temporary or permanent underemployment, underconsumption and sub-standard living conditions which afflict such vast sections of our peoples, are bound up with the narrowness and precariousness of local markets, which are limited, moreover, by customs and monetary restrictions. There is no sure issue to the poverty and privation common to all Latin-American peoples, except in the employment of the resources of the continent for the common purpose of improving their living conditions. It is for that reason that it seems to me of the greatest significance that the work of this conference should coincide both with the completion of the work which the Committee of the 21 has been carrying out and with the announcement that the United States has formally endorsed the establishment of the Inter-American Development Bank which gives concrete form to a common aspiration of the nations of Latin America. In my view, all this gives us grounds for the firm conviction that we are now to advance more quickly by way of concrete achievements in the economic development of Latin America. It should be added that the work which the Economic Commission for Latin America has been carrying out for ten years has contributed considerably to this.

I must not conclude without expressing my Government's appreciation for the collaboration which the Mexico Office of ECIA has given to Panamanian experts in preparing the study, the results of which are to be found in the document entitled "Analysis and Projections of Economic

/Development:

Development: the economic development of Panama". This fine report which provides in systematic form an over-all view and interpretation of earlier research and of new discoveries and observations will doubtless help Panamanians in forming a more accurate idea of our true economic position and will awaken us to a true appreciation of the tasks which lie ahead and the way in which we must tackle them if we wish to achieve a higher standard of living. The study gives the lie to the sombre and inaccurate contentions that have been put forward that we have done nothing to establish our economy on an independent footing or to emancipate it from subjection to "the Canal economy". Indeed, the study gives evidence of the contrary; it shows that since the Second World War we have made very appreciable efforts to set up industries and effect import substitution. The study also very clearly shows, however, that we must greatly increase our efforts in the next ten years if we wish not only to close the gap between the rate of population growth and the rate of increase of the national income but also prevent another possible trend, namely, a widening of this gap and a drop or stagnation in the standard of living. The conclusions of this study have prompted my Government to hold a special seminar to discuss the question after the conclusion of the eighth session and thus to lay the bases for an economic development plan for Panama covering the next ten years. I am convinced that ECLA will co-operate with us in this task.

Gentlemen:

I wish once more to reiterate the thanks of my people and Government

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for the choice of the Republic of Panama as the meeting place of the eighth session of the Economic Commission for Latin America. I again express the hope that your work will be extremely fruitful and will help to give concrete form to the desire for economic and social improvement which is ever present in the minds of the people of Latin America.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

Information document No. 6

STATEMENT BY THE SECRETARY-GENERAL OF THE UNITED NATIONS, MR. DAG HAMMARSKJOLD,  
AT THE OPENING MEETING OF THE EIGHTH SESSION OF THE ECONOMIC COMMISSION FOR  
LATIN AMERICA, ON 14 MAY 1959

It is a privilege, which I appreciate highly, to be present at this eighth session of the United Nations Economic Commission for Latin America. Important problems await your decisions and these may well mark a new step in charting the development of your Continent. It is quite fitting that you should be gathered in this city whose geographic location symbolizes the concept of communication and exchange between the various parts of the world, indispensable to that better understanding and cooperation which is the very foundation of the United Nations. Meeting today in Panama, one may recall that Simon Bolivar, the great liberator, in an act expressing bold and advanced ideas for his days, convened in this city the first Congress of the Americas and proclaimed that the time had come to place the common interest of the new republics on a safe footing. An extension of this idea is found in the motto that appears on Panama's Coat of Arms - " Pro Mundi Beneficio."

May I express my sincere appreciation to you, Mr. President, to the Government and the people of Panama for their generous invitation and their gracious hospitality.

Since the last time I was with you, at your 1955 session in Bogota, important events have taken place in some of your countries, which have focused the attention of the world on this hemisphere, from its southern tip to the Caribbean. With them has come a renewed dedication to some of the fundamental concepts and ideals inherent in our Charter, and this is bound to be reflected directly in the life

/and work

and work of our Organization.

I have come to this meeting from Geneva, where the United Nations is acting as host to the Conference of Foreign Ministers. Although Latin America, geographically speaking, stands rather apart from the main areas in which our Organization confronts major political issues, we owe much to the Latin American Republics for their constructive interest and participation in efforts constantly made under our Charter for the preservation of peace. It is precisely because your countries appear to be relatively distant from the main storm centers, that they should increasingly contribute to the formulation, with the necessary detachment, of solutions based on whatever objective criteria may be available to us.

I mention the diplomatic talks in Geneva, because in this forum devoted to economic development I cannot fail to emphasize how much the progress of the less developed parts of the world is dependent upon the relaxation of tensions and the solution of political problems. In turn, the urge for economic development is emerging as one of the potential unifying factors in the world of today, felt as it is in virtually all countries, independently of political creeds, philosophies and institutional structures. To me, the succession of these two meetings so different in their purpose and character exemplifies the wisdom of the authors of the Charter, when they, for the first time in the history of international organizations, placed political, economic and social objectives on the same footing.

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International co-operation among American states did not begin with the United Nations. It has a long and remarkable history. Over many decades, and sometimes through difficult historical circumstances, it has managed to find a number of very striking expressions, never allowing temporary disputes or conflicts between states completely to obliterate the profound unity of tradition, culture and purpose on which it is based. As it has developed in the system of American /states, it

states, it has shown its vitality and its adaptability to contemporary circumstances. Proof of this may be found in the recent decision to create a new financial institution designed to serve the interests of this region. The establishment of the Inter-American Bank represents the culmination of some years of negotiations, and we welcome this addition to the sources available for the financing of economic development.

If the United Nations has not been the first in this field, I believe that I am justified in underlining the quite unique and original quality of the contribution which it has made, and is making, through this Commission, to the cause of Latin American cooperation. Perhaps, we can see better the exact nature of this contribution at this session, where bold proposals stand before you, aiming at the establishment of a regional market. For such an idea has not sprung from a sudden and visionary inspiration. Nor does it seem to have been primarily influenced by experiments of a similar nature pursued elsewhere. Rather it derives from a decade of study and reflexion, from the systematic investigation and analysis made in ECLA, with a remarkable continuity of purpose, under the able guidance of Dr. Prebisch, of the conditions under which this continent is developing. It is in the course of analyzing the economy of individual countries, of identifying the various factors and the major trends affecting their growth and of attempting to scrutinize their future that the limitations inherent in political fragmentation have shown themselves in such a clear light, and that you have come to feel the need for a new instrument of cooperation. In this process of elucidation, which has led you from country studies to the discussion of the common market, there is an inherent logic and rationality, an intellectual quality, which has its roots in the vitality of the Latin tradition. It is this which today enables Dr. Prebisch to speak with such force of conviction of the need for some institutional arrangement, be it common market, free trade area, or a looser economic association.

/These proposals

These proposals are stimulating through the continent a new look at the relationship among countries, giving rise to efforts at accelerating the development of mutual beneficial interchange. The value of this approach is already illustrated by the first steps taken toward the program carried out in Central America, which is the outgrowth of an earlier recognition by the participating governments that economic progress could be more effectively attained through concerted action rather than in isolated compartments of small individual countries pursuing independent policies. Last year, a milestone in this endeavor was passed when the Multilateral Free-Trade Treaty, was adopted by the five governments. This type of inter-relationship among underdeveloped countries is a rather new phenomenon. When this Commission was established in 1948, trade and economic relations between countries of the region were on the whole scanty, in spite of common language and of this tradition of cooperation in many fields to which I have alluded a moment ago.

As you are now embarking on a new phase of this long and difficult journey toward the ambitious goals for which the social scientists use the word "integration," it is my sincere hope that the United Nations, where this idea received its first concrete formulation, will continue to be closely associated with it, whatever may be the form which your action now assumes. The Central American scheme pursued under the aegis of your Commission is an indication of the extent to which our Organization can assist Governments in providing a constructive framework for their cooperation. I am convinced that we can also devise appropriate arrangements for the larger project involving twenty nations.

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These new developments, it seems to me, apart from their inherent merits, are bound to influence the orientation of your work in other sectors, giving them, so to say, an additional dimension. Important as they may be, they should be kept in their true perspective, lest we be tempted to believe that we have found a magic cure for all our ills. The establishment of a system of freer trade in the

/region will

region will facilitate and enhance the indispensable process of industrialization, opening up new opportunities for productive investments and speeding up the policy of import substitutions. But as we discuss the intricacies of new institutional arrangements, let us not forget that Latin American countries will continue for a long time to depend for their development on the proceeds of their exports of primary commodities. In this respect, we have only to look at the Economic Survey which has been placed before you to be reminded once more of the limitations of the regional approach, of the interdependence of the main trading partners, and of the continuing and often acute reactions, in the underdeveloped countries, to significant trends in the industrialized world.

The main concern today is perhaps not so much with the temporary effects of the cyclical movement which has now been identified as the 1958 recession, but rather with the cumulative impact on Latin American foreign trade of the chronic weakness in commodity markets over the last four years. It is true that the decline was particularly felt during 1958 when exports from the region fell by about 700 million dollars, but the trend had started earlier, and is linked with the gradual slowing down of the rate of growth of most industrial countries since 1955. Thus the demand for raw material and foodstuffs has increased only slowly, in many cases more slowly than the capacity for supplying the demand. The real value of foreign exchange receipts has failed to rise fast enough to sustain the rate of economic growth previously achieved in most countries of Latin America. This relative stagnation must of course be viewed against the background of population increases which most of your countries are experiencing these days, and which, in many places, are among the highest in the world.

Fortunately, as a result of previous investments, and more generally of policies initiated during the last decade, internal production of goods is helping to neutralize to a certain extent the reduced availability of imports. The policy

/of "substitution"

of "substitution" which has been so strongly advocated here is beginning to bear its fruits, and countries of the region find themselves less vulnerable to the familiar vicissitudes of demand and prices in the export products.

Also, it seems to me, we can witness a growing recognition of the basic requirements of sound economic development. Many of the illusions which may have existed in the past seem to disappear gradually and there is, at least conceptually, a substantial measure of agreement on the way to handle such problems as inflation, rates of exchange, agricultural policies and price structure. Obviously, many obstacles may defeat the policies designed to achieve the stated objectives but, at least, one can say that problems are no more, as in the past, problems of principles or philosophy, but primarily problems of implementation.

As your countries will resume their course toward rapid economic growth, it is to be expected that some problems may loom larger than before. High rates of growth and the process of industrialization cannot fail to bring to the forefront, as they have done elsewhere, such matters as the distribution of income and, more generally, the social conditions under which development takes place. I mention this factor particularly because your Commission is seized at this session with a proposal to amend its terms of reference in order formally to recognize, in the definition of your mandate, the importance of social factors. It may be for accidental reasons that this question is debated at this juncture, but recent history indicates that such a debate is very timely. Obviously, the question of deciding what balance must be struck between the often conflicting claims of social justice and rapid capital formation is one which each government must decide for itself. But a lot can be gained by comparative study and the sharing of experience such as your Commission can provide.

/Your Commission

Your Commission is an essential instrument of United Nations action in Latin America and it has a natural vocation to be concerned with all the various and interrelated aspects of economic development. It does not, however, exhaust the total contribution of the United Nations in your continent. I may be allowed to refer here to the increasing success of our program of technical assistance with which you are so familiar. Efforts are constantly being made to improve its performance and I am glad to have with me here today both Mr. Philippe de Seynes, Under-Secretary for Economic and Social Affairs, and Mr. Roberto Heurtematte, the new Commissioner for Technical Assistance, a distinguished citizen of this country. Their close association in a unified Department symbolizes our determination to concentrate more than ever our resources and energies toward the concrete problems directly confronting countries in the process of development.

I also want to mention the new Special Fund, although at this stage it may still appear to you more a promise than a fulfilment, but I can assure you that, under the guidance of Mr. Paul Hoffman, steps are rapidly being taken to ensure that this potentially most useful instrument will make itself felt in the very near future in a number of high priority projects, enlarging and intensifying these spheres of your work which cannot be adequately covered under existing programs.

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Mr. President, during the last ten years, we have accumulated a body of knowledge and information which has enabled us to diagnose the major ills that beset your countries in the pursuit of their new aspirations. During this very session, we will turn once more our attention toward solving those problems in order to fulfil one of our major responsibilities under the Charter of the United Nations. In



Nations. In this nuclear age, we are very much aware of the consequences of a failure to cooperate; this may serve to stimulate new constructive efforts in all parts of the world. I am convinced that there will be no lack of that constructive and cooperative spirit in your deliberations.

Mr. President, I would like to thank you and the people of Panama once more for their gracious hospitality and to extend to all here present my best wishes for a fruitful session.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth session

Panama City, Panama, 14 May 1959

ADDRESS DELIVERED ON BEHALF OF THE DELEGATIONS BY HIS EXCELLENCY  
JOSE ANTONIO MAYOBERE, MINISTER OF FINANCE OF VENEZUELA, ON  
THURSDAY, 14 MAY 1959

The delegations attending this conference have paid me the honour of requesting me to greet on their behalf His Excellency the President of the Republic, the Panamanian authorities and people, and the Secretary-General and staff of the United Nations. I gladly accept this office and thank you all, in the name of my country and my Government, for the honour which has been bestowed on me.

The bi-ennial conferences of the Economic Commission for Latin America have come to represent for our continent an event of such importance that I do not hesitate to call it historic. The reasons for this are familiar to everyone, but it would not be superfluous at this moment when the Commission is opening up new paths for our republics to indicate in a few words what ECLA has come to mean for our thought and for the guidance of our countries' economic policies. The Commission was formed at a time when the under-developed peoples of the world united in a movement of supreme importance for the course of modern history: its aim was to raise their standards of living and enable the greater part of the world's population to share in the progress and welfare which up to then had been almost exclusively the prerogative of the industrialized nations.

/The Commission's

The Commission's task in Latin America was to crystallize and give definite shape to these ideas of collective improvement. Since its inception, it set up its own criteria in considering the economic problems of our region; economic thinking, which had hitherto been dominated by the classical theory, conceived and developed for more advanced countries, was the target at the Commission's conferences and in its documents of criticism which though heterodox yet maintained a scientific if independent spirit in studying the realities of our countries.

We can all trace in memory the evolution of this body of Latin American economic thought of which ECLA has become the centre and the symbol. The theory of development in the Latin American countries, the reform of the classic postulates of international trade, the application of dynamic analyses and of the theory of growth to the problems of our continent, have in the last few years emerged from the narrow confines of universities and research laboratories in the shape of concepts studied and shared by statesmen and entrepreneurs, by journalists and trade union leaders. With respect to economic policy, the emphasis laid by the Commission on the need to draw up development programmes has had especially important consequences in the countries of this region. Those responsible for formulating and guiding development policy in each of our countries have new techniques at their disposal, and in almost half the region the Commission has carried out special country studies which enable our peoples to direct their effort towards clearly-defined objectives, with the help of means suited to the purpose. In other and more specific matters, mention must be made of the Commission's work with regard to the study of particular branches of

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industry and the evaluation of natural resources; and no less significant is the fact that the Commission has become a centre of thought where new generations of Latin American economists have received an autochthonous training with constant reference to our characteristic problems, and in line with the modern economic view that the absolute rule of universal formulae should be superseded by the application of a strict scientific criterion to the changing social situation in every continent and every country.

The Panama session implies a new and, I would say, a bolder course in the Commission's activities on behalf of the economic development of Latin America. The growth of the countries of our continent seems to be approaching a point at which the narrowness of the markets, the size of enterprises and the low productivity of the region's economies in general clamour for a broader field of action than that bounded by national frontiers.

Some of our countries seem to be nearing the crucial moment at which the expansion of the economy will inevitably come to a standstill, unless a co-operative and peaceful understanding with other countries is reached with a view to the constitution of larger economic units. Here I must pay special tribute to the pioneers of this movement towards the integration of small economies - the five neighbour countries of Central America, which five years ago, with the co-operation of ECLA, launched an economic integration movement that has already materialized in lasting practical achievements, and sets an example to the rest of the region.

In seeking to establish a common market in Latin America, ECLA has undertaken no easy task. The road will be beset with obstacles. Hitherto our countries have channelled their efforts in two opposite directions, on the  
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one hand, exporting their primary commodities to the large industrial centres, and, on the other attempting to develop industries to supply each one's domestic market. To break with this tradition, to change the thought patterns of politicians and entrepreneurs accustomed to a long-standing economic system, undoubtedly represents a difficulty that will have to be taken into account. But it is not only a question of criteria or ideologies. Situations actually exist which will have to be continually borne in mind if the idea of a Latin American common market is to materialize successfully. To mete out the same treatment to countries at a lower level of development as to their more developed neighbours might curb rather than spur on their future progress. And in other cases, differences in costs and prices create very special problems which would call for appropriate treatment. We are met here to begin to discuss these problems and seek ways and means of solving them. We understand the need for broad markets which will allow of the development of industries with high capital density, which will enable national resources to be rationally exploited and will provide enterprises with steady markets, which will promote an increase in productivity and will ultimately lead to an improvement in the standard of living of our peoples. Our attitude towards these questions is analytical, but constructive.

It is particularly significant that Panama City should be the scene of this attempt to transform the idea of greater economic co-operation among the countries of our continent into a concrete reality. For here it was that, 133 years ago, Bolívar, the Liberator, convened a meeting of the recently-freed peoples of Spanish America with a view to their political union. Since then, the ill-starred Panama conference has been the purest symbol of the aspiration

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of the peoples of Latin America to join together in a commonwealth of nations, within which, nevertheless, each one would retain its own individuality. And, a century and a half later, this new ECLA conference is attempting to establish the bases for an economic co-operation which may perhaps prove the best way to realize Bolivar's ideal. Moreover, Panama is the gateway between the two great oceans that wash our shores; it is the communicating link between the north and south of the continent; it is likewise a world centre of commerce and traffic, whose name alone stands for economic intercourse, trade relations, a point on which people and products from all countries converge. Thus, nowhere could discussions aimed at increasing the economic integration of our countries in the future be more auspiciously inaugurated than here in Panama City - symbol of international economic relations - and under the aegis of Bolivar himself.

Latin America is passing through a critical stage in its economic evolution. The rate of growth of its economy has been slowing down of late, while its population is increasing steadily. There is a danger that per capita income will stagnate or even drop unless production expands more rapidly. Recent years have also seen a weakening of the markets for our exports. Commodities such as copper, coffee and even petroleum, that are of vital importance for the life of our peoples, are suddenly confronted by shrinking markets and declining prices. Our economies are also beset by monetary ills. Faced by the alternative of development or inflation, several Governments have been forced to choose the latter, in spite of the evils which it implies.

All these problems will be discussed in the course of the session, and I accept as a good omen the new tendencies in the economic policy of the

/United States

United States towards a closer co-operation in solving the problems of the region. The recent approval of the project for the Interamerican Bank is a further reason for optimism; it is to be hoped that the forces which have been opposing the formulation of agreements on markets and prices for primary commodities will soon disappear in their turn, since this would mean a decisive step towards the fulfilment of our countries' economic development possibilities and a better understanding among the peoples of the continent.

The delegations which have come to the eighth session have great pleasure in greeting the President of Panama, the Panamanian people and the high officials of the United Nations, whose presence will be a source of inspiration; thus our discussions may achieve positive results and Panama become once again the historic symbol of Latin American union.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth session

Panama City, Panama, 14 May 1959

STATEMENT BY HIS EXCELLENCY FERNANDO LIETA, MINISTER OF FINANCE  
OF PANAMA AND CHAIRMAN OF THE COMMISSION, AT THE FIRST  
PLENARY MEETING, ON FRIDAY, 15 MAY 1959

The Government and people of Panama, which I have the honour to represent at this illustrious assembly, extend a cordial greeting to the delegations, observers and other participants who are assembled here for the eighth session of the Economic Commission for Latin America. It is both a pleasure for us to welcome such distinguished visitors to our midst, and a source of satisfaction for the Panamanian people to see our country - as a colleague, the Minister of Finance of Venezuela, speaking on behalf of the delegations, pointed out yesterday - reaffirm its faith in its lofty destiny as a meeting-place for the creators of our Republics.

The eighth session of the Commission marks the close of its first decade of existence. This would seem to be an opportune moment for assessing in a brief retrospect the principal achievements of its initial phase of existence and evaluating the projections for its work during the period which is about to begin.

The meaning and importance of ECIA's work in Latin America can be judged by its manifold character, which embraces general programming of the region's fundamental development problems and the more concrete and practical issues of the economic reality of our countries. Stress should be laid on the Commission's outstanding contribution to a rational and firm approach to the  
/problem of



problem of under-development in Latin America. ECLA has established a system of thought which has satisfactorily interpreted on the economic plane the characteristic features of our countries' process of growth; a system which has given a clear-cut form to our peoples' aspirations for a better life in the future.

In this respect, there is no doubt that the studies undertaken by ECLA have been largely instrumental in shattering the outdated theoretical moulds in which our economic problems were analysed and replacing them by new formulae which have led to a remarkable evolution in the approach to Latin American economic problems.

The wholly exceptional work of investigation and synthesis which ECLA has been carrying out in regard to industrialization, foreign trade, the programming of economic development and the economic complementarity of our Republics - to cite but a few of its most outstanding aspects - has fortunately not remained on the purely intellectual plane.

It is undeniable that after the war the internal economic policy of the Latin American countries was largely governed by the force of circumstance. But its general orientation in favour of economic development and improved standards of living testifies to ECLA's influence.

The influence exercised by the Commission's activities in internal relations has been as great, if not greater, indeed, than that which it exercised in international relations. The necessity for some stabilizing force in the world markets for raw materials and foodstuffs, the necessity for a strong flow of external public capital and for the breaking-down of the watertight compartments into which the Latin American market is divided, has at last been fully grasped. But in order to achieve all this, it has been necessary to overcome widespread

/scepticism in

scepticism in the Latin American countries themselves and - above all - in the major countries of the world economy.

As regards the intensification of the international flow of capital, not only have the International Financial Corporation and the Inter-American Bank recently been set up - the latter owing its inception largely to ECLA and its ideas - but the credit capacity of the International Bank for Reconstruction and Development, the Eximbank and the International Monetary Fund, has been expanded.

The negotiation of international agreements and the search for means of stabilizing the world markets for primary commodities - one of the first problems to attract the attention of the Commission - has visibly progressed in the past year, especially in relation to commodities such as coffee, which are of vital importance to numerous Latin American countries.

We are also witnesses to the firm support accorded by the member States of the Commission to the idea of the Latin American common market, in the formulation and development of which ECLA's Trade Committee has played and is playing such a decisive part.

The foregoing examples are proof of the Commission's unremitting work in international economic relations, where it has obtained many of its best results. The importance ascribed to these at the recent meeting of the Twenty-one at Buenos Aires and the uniformity of their underlying principles constitute decisive recognition - already at the regional policy level - of the new conceptions of economic policy which have been evolved in Latin America during the last few years. Without the ideological and technical ferment of ECLA and its work, there might well have been no such results.

/May I

May I refer to the influence exerted by one of the secretariat studies in the case of my own country, which confirms and illustrates the ideas I have been expressing? I allude to the report The economic development of Panama which was submitted to the Commission at the present session.

During the last two decades Panama has been undergoing a thorough transformation of its economic structure. The Panamanian economy, which is traditionally directed towards the outside world and is conditioned mainly by commercial activity resulting from the passage of international transport, has had to convert itself into an economy which seeks to utilize the domestic resources for production in an intensive and rational manner. This transformation, which has been recognized by many Panamanians and which the Government has encouraged for a number of years, has been analysed by ECLA in its totality with great judgment. The Commission has given a proper interpretation of the workings of my country's particular economic system and a clear picture of its prospects for future development.

I want to take advantage of this opportunity to congratulate the secretariat on its brilliant achievement with this study. A considerable part of its success was due to the fact that it was carried out by the ECLA staff jointly with a Panamanian working group.

As can be seen from the study, the problems and obstacles which the Panamanian economy has to face on its way to more rapid progress are formidable. The effort which we must make in order to solve our fundamental problems - the low standard of living of great masses of the people, unemployment in the towns and under-employment in the country, inequalities between the various regions and between the incomes of different sections of the population - can only be

/achieved through

achieved through greater rational use of our resources for production. Consequently, the State must adopt a still more active and resolute policy to speed up the growth of our economy. Considering the seriousness of the problems to be faced - problems which the ECLA study defines with great precision - and the complicated role to be played by the State in solving them, the Government of my country has decided to establish a body fit to discharge this responsibility effectively - the Directorate General of Planning and Administration.

The experience of Panama and other countries shows that studies, however good they may be, are not enough. The establishment of administrative machinery to enable policies and programmes of economic development to be turned into effective Government action is just as important.

Unfortunately, our countries are not yet entirely ready to carry out this work in the desired way. The new trend in ECLA's activities seems to me therefore particularly opportune, namely, the direct aid given to the Latin American countries through missions or groups of specialist advisers. Panama strongly supports the extension of ECLA's activity into this new field, because its own experience shows the great need for such advisory services.

The study which has just been made obliges us to revise our traditional view of Panama's role in the Latin American economy as a whole. The idea of an economy based on transit traffic which has prevailed in the country customarily leads us to suppose that participation in any form of Latin American regional market would be contrary to Panama's interests. Nevertheless, in so far as the economic situation has changed and has converted the  
/country into

country into an agricultural and industrial producer based on a protected domestic market, the small size of the national market represents one of the main obstacles to rapid growth of the basic production sectors.

That is the fundamental reason why Panama, being aware of the importance which the project has for Latin America, supports in principle the far-reaching idea of establishing a common market, particularly if in organizing and operating it due account is taken of the factors characteristic of countries like mine which are at a stage of incipient development and where high production costs prevail.

Perhaps I have dwelt a little too much on the Panama study, but I was moved to do so not only by the legitimate satisfaction I feel with the examination that ECLA has made of our economic problems, but also by the firm belief that its observations are relevant outside the Panamanian economy. The study illustrates, through its analyses and projections, the problems of many Latin American countries.

Gentlemen, as the Economic Commission for Latin America begins its eighth session, I wish to express the most fervent desire for success in our work and my sincere hope that this meeting of the Commission will be, through the decisions that we adopt here, a decisive step forward on the path successfully followed by the Commission in its ten years of existence and which can now take new directions full of practical significance and constructive effect for the good of all our countries, for the standard of living of their inhabitants and for the common destiny of Latin America.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

STATEMENT MADE BY MR. RAUL PREBISCH, EXECUTIVE SECRETARY,  
AT THE FIRST PLENARY MEETING ON 15 MAY 1959 \*

I should like to begin by saying how deeply I appreciate the kind remarks that His Excellency the President of the Republic was good enough to make yesterday about ECLA's work. The President also suggested that we should hold a round-table discussion of the ECLA study on the economy of Panama. We are very happy to accept this invitation, which is of great importance for our work, for, in the course of such a discussion of the study which we have carried out with the co-operation of Panamanian economists, conclusions may be reached which will lead us to rectify or ratify its contents with respect to the economic development of Panama. I am also deeply grateful for the references to ECLA made by Mr. José Antonio Mayobre, Minister of Finance of Venezuela, which will remain indelibly imprinted in our minds. Similarly, Mr. Chairman, it is my very pleasant duty to express my sincere gratitude for what you have just said about ECLA's work. Your encouraging remarks mean a great deal to this secretariat, not only because of your high office, but also because they represent the view of one whose outstanding merits have placed him among the distinguished figures of his generation - a generation to whose points of view, as to those of its successors, I am always ready to listen. Perhaps my best qualification for my

\* This is a provisional text based on the shorthand record, and the subject matter and presentation are subject to revision. The necessary corrections will be incorporated in the final published text.

/position as

position as head of the ECLA secretariat is the fact that I have not yet lost my receptiveness to the opinions and suggestions of the rising generation, that I can still speak its language and find in its thinking my best source of inspiration.

Exactly two days ago I was discussing with my collaborators what should be the substance of this statement, and we came to the unanimous conclusion that one fact should be stressed as being of the greatest importance for Latin America. Unfortunately, the illusion that might have been cherished in the decade immediately following the Second World War, to the effect that the development of Latin American economy was gaining great momentum, has been completely dispelled. The high rate of increase of the per capita product registered in those years - 2.7 per cent - has considerably slackened, and the exceptional factors which determined it have disappeared. In this context, the most important event is unquestionably the fall in prices of primary commodities. Suffice it to point out that in 1958 alone the value of Latin America's exports dropped by 700 million dollars in relation to the preceding year, mainly in consequence of this price decline. It is very patent that in these circumstances, and in face of the increasingly complex forms assumed by the development of Latin America, not only will a broader policy of international co-operation be required, but also an energetic response to this policy on the part of the Latin American countries, in the shape of measures of their own designed to accelerate their rate of growth. There are manifest signs that the policy of international co-operation is beginning to take on a new aspect. As the Minister reminded us a few moments ago, Latin America's long-standing ambition to have a development institution of its own, which it would run itself, has just been fulfilled.

/Furthermore, the

Furthermore, the capital of the Export-Import Bank has had to be increased; the same is true of that of the International Bank for Reconstruction and Development; and the International Monetary Fund too has witnessed an expansion of its resources. All these are favourable symptoms, but it would be a serious mistake to suppose that a greater inflow of international capital would alone suffice to deal with Latin America's basic problems. They can be solved only if the region tackles them with the help of an explicit and co-ordinated policy whereby all its vital forces can be enlisted in the pursuit of clearly-defined economic development objectives. Such a policy must be based on recognition of the following fundamental fact: Latin America, however great the external assistance it receives, however high the rate at which its exports expand - and they cannot do so very rapidly - will be unable to carry out its development plans, will be unable to regain the rate of growth it achieved in the ten post-war years, unless it makes a sustained effort to establish within its own territory the capital goods industries of which it is in such urgent need today, and which it will require on so vast a scale during the next quarter of a century. Production of machinery and equipment in Latin America, estimated at 1958 prices, amounts to barely 240 million dollars. According to ECLA calculations, by 1975, given favourable hypotheses as to external resources, the level of production of these industries in Latin America will have to be raised to about 6,500 million dollars. This is the conclusion reached in a study which has been distributed to the delegations and which I would particularly recommend them to read, because it sheds a very clear light on prospects for the Latin American common market. I refer to the study entitled The influence of the common market on the economic development of Latin America, prepared by Mr. Jorge Ahumada - an eminent

/Chilean economist,



Chilean economist, and Chief of the Economic Development Division of the secretariat - with the help of his collaborators.

In order to produce these capital goods to develop all the intermediate goods industries required by Latin America - beginning with that of iron and steel, consumption of which is now 6.5 million tons and should reach 37 million by 1975 -, to manufacture motor-vehicles, and, in short, to launch these highly complex dynamic industries, Latin America needs a common market.

It would not be possible to achieve efficient production and to place industry at the service of the great mass of consumers unless Latin America were to resolve to take this fundamental step. I do not believe that any alternative exists. In the report mentioned above the conclusion is reached that without the common market and without a progressive effort at integration by the Latin American countries, they could never attain a satisfactory rate of economic growth. True, the task of creating the common market is not, and never will be, an easy one. At the meetings of the Trade Committee, during the last few days, it was evident that, although there was a solid body of opinion in favour of the common market, unanimity was far from being reached as regards the form that it should take. This is by no means surprising. An undertaking of such scope requires some time to take shape; much patient explanation and public advocacy will be necessary before it can materialize, although this work may yield results earlier than we might expect.

A doubt has been expressed in the Committee as to whether the common market, as projected by the Working Group in Mexico, could combine the features of a free-trade area, and thereby fulfil the conditions laid down by the GATT for its formation. The Mexico Working Group did not study the juridical aspects of the common market in any detail, since the session had /been convened

been convened for a different purpose; but the group of consultants who met shortly afterwards at Santiago (Chile) were able to do so, and worked out a highly effective and satisfactory formula which has won the approval of Mr. Royer, the GATT representative. I feel sure that this formula, although devised for the southern-zone countries, provides the juridical key to a study of the appropriate procedure for a common market serving the whole of Latin America, and thus supplements the recommendations formulated at the Mexico session. I believe that, in ten years' time, Latin America will be ready to exempt an essential part of its trade from customs duties, as stipulated in the GATT regulations for the establishment of a free-trade area. In the opinion of the experts at the Mexico meeting, this free-trade area should be gradually converted into a customs union.

Apart from the inevitable difficulties attendant upon the establishment of a common market, an attempt must be made to dispel the illusion, which has been gaining ground, that the common market will be a magic formula which will obviate the need to tackle any of Latin America's other serious problems. This would be a serious misconception. The common market, despite its great importance, will be one, and only one, of the many aspects of an energetic economic development policy; but it will not eliminate the problems which have long been awaiting solution in Latin America. It is not merely the absence of an intra-regional market for Latin American industry or the lack of an outward-looking approach that is hampering industrial development and efficiency. There are other very serious factors which are preventing Latin American industry from thrusting its roots deeper within each country's individual market. Industry has progressed in spite of organic problems for which no solution has yet been found in Latin America and which are hampering and will increasingly hamper /the development

the development of industry and of the over-all economy.

There is a basic land tenure problem which has barely been broached in Latin America, despite the prophets that have so long been crying in the wilderness. Another problem lies in the way of its solution - that of the introduction of more advanced techniques, in which field, indeed, unquestionable successes have happily been scored. But, on the other hand, much remains to be done. A tremendous effort will have to be made to improve the techniques used in primary production in the Latin American countries before the peoples of Latin America can be supplied with low-cost food and the raw material requirements of its industries can be promptly and effectively met. But land tenure and up-to-date techniques are not everything. A formidable obstacle is also constituted by the type of autarkic policy which a large number of our countries have followed with respect to agriculture. I am far from imagining that this problem can be solved overnight, with the abolition of duties and restrictions. It would be a singularly unfortunate measure if agriculture in certain Latin American countries were to be distorted by a degree of external competition from other Latin American countries which it was unable to withstand. I must stress that, if I criticize the policy of autarky, I do not think that would be the way to solve the problem that it raises. For a series of reasons set forth in the secretariat's report, I do not consider it an economically sound proceeding to adopt any measure that involves a contraction of existing agricultural activity, with the consequent disemployment of agricultural workers and disuse of farm land. What I do believe is that in this connexion the Latin American countries are faced with a dilemma of major importance for economic development. Either they must continue to

regional level. This is the only way to pursue their development.

pursue their autarkic policy, each one attempting to push agricultural production as far as possible within the confines of its own frontiers; or, alternatively, they could take advantage of the common market system and of economic integration, so that imports of goods which other countries could produce on more economic bases might satisfy part of the increment in the consumption of those countries where otherwise farmers would have to face rising costs and consumer prices for agricultural commodities would increase.

I have pleasure in endorsing the observations made in this connexion at one of the meetings by a member of the delegation of Cuba. A series of rationally co-ordinated agricultural measures, besides solving the increasingly pressing problem of supplies, would have the merit of helping to lay deeper foundations for the market for manufactured goods. An unsatisfactory agricultural sector, with a low standard of living for those engaged in agricultural production, is not the proper background for industrial activity in Latin America. A higher standard of living for the agricultural population, which could be achieved only by effective measures aimed at improving farming techniques, by land reform, and by a wisely-conceived foreign trade policy within the common market system, would help to give Latin American industry the firm market which it lacks today. Nevertheless, the introduction of more advanced techniques will entail, as has already been the case, problems of another sort for Latin America's industrial activity. Since the time of the earliest ECLA studies we have maintained that industry would have to fulfil, among others, a highly important dynamic function, namely, that of absorbing those very workers that the application of more up-to-date techniques rendered redundant in agricultural production. But in many countries, as is shown in

the study we are presenting at the present session, other sources of manpower must be taken into consideration as industry develops, especially the artisan labour force itself.

All this implies the existence of an immense problem relating to the productive absorption of increasingly large bodies of active population in Latin America, which industry and allied activities will have to absorb effectively if the level of production and the standard of living of the masses are to be raised. Herein lies more than one motive of concern for those of us that have devoted ourselves to the study of these problems. The industrial development of Latin America has been intensive; but not sufficiently so for it to fulfil the dynamic function described in a manner adequate to the needs of economic development. I do not think there is a single country in Latin America which has no under-employment problem - apart from the cases where manifest disemployment exists, - in urban as well as in rural activities. Such a state of affairs is often disguised in active population statistics, which record a striking increase in the population employed in services in Latin America. This fact has more than once been remarked upon as analogous with the phenomenon that is taking place, and has taken place in the past, in the large industrial centres, where, as the standard of living and productivity improves, demand for skilled services steadily increases. Let us not make the mistake of supposing that it is exactly the same phenomenon which is registered in Latin American statistics. It is true that here too there are skilled services which gradually increase with the progress of economic development, but the statistics in question include a large body of occupations, of a pro-capitalistic nature, in which productivity is highly unsatisfactory and which go to swell the conglomeration of services in many countries of Latin America /and constitute

and constitute a dead weight, a formidable burden, a serious obstacle to their economic development. It is an inefficiently utilized conglomeration, which can only decrease, slowly and gradually, if Latin America's industrial production attains a much higher rate of expansion in the past; and this will not be possible within the narrow bounds of the individual country markets.

But it is not merely a matter of numbers. It is essentially a very serious question of quality. Latin America is not doing all that the demands of economic growth require in training its labour force in every category, from that of the technical expert to that of the skilled worker. The importance of this fact can hardly be exaggerated, but as yet it has been very little studied in Latin America, although successful experiments have been carried out in the training of the labour force, for example in Brazil.

Due attention has been devoted to this question in the secretarial studies, especially with respect to the economic development of Argentina. We have attempted to formulate a projection of the technical and labour that will be required by industry in Argentina if certain plans are carried out and certain industrial growth targets attained. The conclusions reached are certainly impressive. The proportion of skilled labour and technicians to which training has been given so far is clearly insufficient to meet the requirements of such industrial growth. I point this out not as an isolated fact but because it is representative of what is going on throughout Latin America, where in other countries the contrast between supply and /demand assumes

demand assumes still more serious forms. A great deal of the productive investment that may be effected in the next few years would be wasted without the technical support required to ensure its proper management. Indeed, technical training of all categories of manpower is no less important than an increase in capital, and I hope that IECLA may be able, in collaboration with other international institutions, to inquire into that part of the question which is of interest to it, namely economic matters.

Another point with which we are concerned is the study and inventory of natural resources. In compliance with the Commission's recommendations at previous sessions, we have already taken in the systematic analysis of Latin America's water resources. What I might call an almost exhaustive study of the case of Chile has been carried out; the study relating to Ecuador is in process of completion; and at the request of the Government of Argentina a special study has been made of the hydraulic resources of Northern Patagonia. All this work has been in the hands of a group of experts from the Technical Assistance Administration (TAA) and others from a series of international institutions interested in water resources from their several points of view. This group is at the disposal of the Governments for the continuance of studies of this type, to which the secretariat attributes immense importance.

Suffice it to mention the following fact as an indication of the need for this analysis to be pursued further. In 1954 hydraulic potential for only 62 million kW was known to exist in Latin America. Today, thanks to the studies mentioned and to another series carried

out by the Governments concerned, often with the co-operation of foreign organizations, the water resources figure has been doubled. But the knowledge and measurement of these resources is still far from having attained the importance that should be attached to it in a far-sighted water resources development policy. I feel it is very fortunate that the Special Fund of the United Nations can contribute to the systematic inventory of these and other fundamental resources in Latin America. Another reason for satisfaction is that the Organization of American States, through its appropriate technical agencies, is devoting considerable attention to this problem.

The ECLA secretariat in Santiago was recently the scene of an unofficial and very short meeting of TAA geologists who happened to be in Santiago and with whom it was possible to compare opinions on what might be done in the field of mineral resources. They were all agreed that although a great deal of material about these resources was available they were as yet very little known in Latin America and a systematic study programme was needed.

To deal next with the forest industries **very** little was known about them in spite of the research that has been carried out. It is for this reason that we have taken up with great interest a proposal of FAO which will be submitted to the present session for consideration, to the effect that a joint study of these resources should be carried out, and, in addition, an estimate and projection of probable demand in Latin America should be prepared.

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In the very act of giving you this information, I reflect that perhaps it might be asked, in view of the immediate difficulties besetting the Latin American economy, why attention is being devoted especially to matters of this type in preference to others of a more pressing nature. It seems to me that one of the most useful of the longer-term tasks which this Commission might accomplish and is in fact accomplishing through its secretariat, is precisely that of restoring the balance in the analysis of the various issues. Our governments are frequently led by the very understandable aim of tackling immediate issues to divert their attention from those longer-term questions which will continue to present themselves in Latin America, and the solution of which will be indispensable if a satisfactory rate of economic development is to be attained. As regards difficulties of this type, I think that the most useful form of co-operation which ECLA and the United Nations in general, as well as other international institutions, could render and are rendering to the Latin American Governments consists precisely in restoring the balance in the attention demanded by these different aspects of one and the same problem. These are questions of structure and their study requires the development of special methods, a path which ECLA has long been actively engaged in exploring. In all its publications in recent years it has stressed the need for the gradual evolution of a technique of analyses and projections of economic development by means of which development problems could be systematically and scientifically tackled. What is more, it has emphasized the necessity for economic programming, for establishing clearly-defined targets and objectives in economic policy, and attempting to quantify them, not for the mere interest of measuring their magnitude, but as a growing of

/guidance for

guidance for the efficient and satisfactory utilization of the community's resources. These ideas, which have been discussed at all the sessions of the Commission, have taken root with amazing rapidity. The statutes of the new Latin American financial organization attach a great deal of importance to the need for programming. The misconception which associated the programming of development with detailed State intervention in the mechanism of the economy has now been removed.

Now that this and other misinterpretations have finally disappeared, a broad field lies open for the accomplishment of this task. Indubitably, a good deal of the missionary effort that has been involved must be attributed to us, and I say so not to claim a merit but to emphasize a responsibility. Many Latin American Governments are requesting ECLA's co-operation in dealing with their programming difficulties. We launched the idea when the time was ripe for it, and now we are not in position to respond to all these requests. For the present speaker, this is a crucial situation; if it is allowed to continue the prestige of the idea of programming will inevitably be undermined, and there will be some risk that it may in the end be regarded by Governments as a kind of abstract juggling with techniques that are of no practical utility.

During the last day or two I have been able to verify with great satisfaction the possibility of an effective solution of this problem of rendering systematic assistance to the Governments that request it.

Mr. De Seynes Under-Secretary for Economic and Social Affairs of the United Nations, and Mr. Heurtematte, Commissioner for Technical

/Assistance, both

Assistance, both of whom are present here today, have displayed keen interest in the need to strengthen and increase the resources of the

ECLA secretariat with a view to forming a mobile unit of technical experts who, together with specialists in other fields, would be at the disposal of the Latin American Governments at any moment in response to such requests. For the time being our limited powers have restricted action of this kind. At present we have only one well-organized group, which has just gone to Colombia at the request of the President of the Republic himself, who desires the co-operation of these secretariat experts in organizing the work of economic programming in his country. They are to assist and collaborate with eminent Colombian economists in this work of organization, in the analysis and discussion of basic material, and in the appraisal of the short-and medium-term problems of Colombia's economic development.

Had it been possible to extend this service, ECLA would have applied its efforts specifically to economic development, relegating its systematic studies to second place, so that the countries concerned might carry out such research, with the help of this secretariat, as has been the case, up to a point, with the study on Panama.

For us it would be an incalculably valuable source of experience to be able to probe farther and farther into the living reality of the Latin American countries, into the increasing complexity of the difficulties of their economic development; it would thus be possible gradually to accumulate a wealth of reciprocal experience which could be posted among international and national officials and achieve ever greater progress in the techniques of programming and render increasingly active

/and efficacious

and efficacious service to the Latin American Governments.

But it is not only with the question of long-term development that we are concerned. In the last analysis, practically every substantial difficulty confronting the Latin American economy to-day is of a structural type, the outcome of a prolonged want of foresight in economic policy or of the action of fundamental factors which obstruct development and which it has not yet been possible to remedy. The lack of foresight referred to might have been justified in the years immediately following the great world depression, a phenomenon of supreme importance which found not only the Latin American countries, but all the rest of the world, handicapped by the burden of an orthodoxy which it has taken a great deal of time and effort to shake off. To-day, in the light of past experience, with the lesson of events behind us, it would be inexcusable if we failed to reap the benefit of all that we have learnt, in order to build an economic development policy on a more solid and rational foundation. We could thus prevent the recurrence in Latin America's economic development of those acute difficulties with which many Governments are faced to-day, and which cannot easily be overcome because of all the structural obstacles that stand in the way. Only at the cost of great sacrifice will the Governments concerned be able to grapple with the economic vulnerability of the Latin American countries. This is not a phenomenon due solely to an adventurous error of policy, an economic misconception as regards imports or circumstantial balance-of-payments disequilibria. Its roots go much deeper. Latin America has been cherishing the illusion that with industrialization it will become

/increasingly less

increasingly less vulnerable to external fluctuations and contingencies. This illusion is being dispelled by facts, especially in those countries where, because the industrialization process has taken place in watertight compartments, import substitution policy has so greatly reduced purchases from the rest of the world that they are restricted to goods essential for economic activity. Hence, if the capacity to import is reduced as the result of one of the usual fluctuations in exports, the whole of a country's economy is affected, and the risk of serious unemployment is incurred. The old type of vulnerability, which was reflected in the fluctuations of demand, has been superseded by a new form, which, in the Latin American countries, especially in those at the more advanced stages of development, is tending, with exceptions, to manifest itself much more alarmingly in the supply side of essential goods.

The importance attached by the secretariat to these phenomena is so great that I should like to cite another of the reports which we have submitted to the consideration of this assembly, namely, that dealing with the common market and the multilateral payments system. It contains an analysis of Latin America's import coefficient, that is, the relationship between the value of imports and the total value of each country's national product. According to ECLA estimates, if a rate of growth of 2.7 per cent were regained, the present coefficient of 16 per cent would drop to 8 per cent by 1975. To form a clear idea of all that this implies, it need only be recalled that the countries of Western Europe, despite their high degree of industrialization, register a coefficient of 18.5 per cent at the present time; in other words, in a few years' time Latin America would have reduced its coefficient to a

/figure much

figure much lower than that currently recorded in a highly industrialized Europe.

Why does Western Europe's coefficient stand at 18.5 per cent? It is not because of the region's purchases of essential goods - raw materials and primary commodities - from the rest of the world, but precisely because before the common market existed Europe had already developed a brisk and long-standing intra-regional trade. Out of this coefficient of 18.5 per cent, 9.5 per cent corresponds to trade in primary commodities and industrial products among the European countries themselves. The very reason why the coefficient is high is that this trade is particularly lively, as is evidenced by the presence in every capital of Western Europe, of consumer goods and machinery from all the other European countries. Why is this so? Because of the stage reached in a process of specialization which the common market is accelerating, whereas in Latin America industrialization has developed in watertight compartments, so that intra-regional imports represent a negligible proportion of the aforesaid coefficient of 18.5 per cent. Herein lies the contrast between the two situations, and the danger for Latin America of continuing to push its substitution policy to such extremes as hitherto. Import substitution policy is an inescapable necessity, as we have insisted since the days of ECLA's earliest studies, but, with the same frankness, we now stress the need to carry this policy beyond the confines of national frontiers. The time has come to co-ordinate Latin America's efforts to achieve a more diversified intra-regional trade and a degree of industrial efficiency which will enable it to export its industrial production to the rest of the world and escape from the cramped position in which trade

in primary commodities is placing it vis-a-vis the large industrial centres.

It is this structural problem which underlies many critical balance-of-payments situations. We should not disregard it, nor attribute it to adventitious monetary factors and to the effects of inflation. It is a deep-rooted structural phenomenon calling for structural remedies. In that same process of inflation which is so great a motive of concern, financial disequilibrium is not the whole of the trouble, nor is pressure for higher wages. A fundamental structural phenomenon is also frequently present. In several Latin American countries, inflation, which up to now has proved impossible to control, is due to the lack of dynamism in agriculture, which has not yet been able to supply low-cost foodstuffs, and which in many cases, on account of technical deficiencies, is selling to the working population at increasingly high prices. Anxiety for wages to offset the effect of this steady rise in agricultural prices has often been one of the most serious determinants of inflation, and, consequently, one of the obstacles that is most difficult to overcome, since it cannot be eliminated from one moment to the next by the application of an anti-inflationary formula, but only through the removal of the factors which have been hampering agricultural development.

This does not mean that the scourge of inflation should leave us unmoved. In Santiago and Mexico we followed with close attention the praiseworthy efforts of certain Latin American Governments to combat this phenomenon, often at the cost of genuine political self-sacrifice. We have also noted with satisfaction that the expansion of the resources of the International Monetary Fund will enable it to take more effective

/action in

action in support of anti-inflationary policy. Thus, by means of a combination of internal and external efforts, it may be possible to avert certain highly critical consequences of some anti-inflationary measures.

Anti-inflationary action of this kind has in some cases caused a regrettable contraction of the economy, to the detriment of its capacity for capital formation, and perhaps with grave consequences, because the bold and energetic internal measures adopted have not been duly complemented by equally vigorous fiscal action and by such timely co-operation of foreign investment as would enable the domestic economy to make a rapid recovery from the effects of a contractionist policy. This is all the more regrettable since the consequences of such a policy frequently aggravate, precisely because of the contraction in the economy, the severe social tensions which make themselves manifest in Latin America. They throw into sharper relief than ever the profound inequity of income distribution, the patent and increasing contrasts in certain sectors, where the traditional comforts of the higher are now enhanced by all the conquests of modern technique and all the facilities which life in the great centres affords, while the standard of living of the masses improves but slowly. There are serious tensions which can be eased only by the close co-ordination of the social and economic development policies, and by a wisely planned fiscal policy in respect of both taxation and the social distribution of public expenditure. Such tensions will not slacken, but will continue to increase, if Latin America does not accelerate its rate of growth.

/The need



The need for the growth rate to be accelerated, for agriculture and industry, with all the advantages of up-to-date techniques, to be placed increasingly at the service of the community, is imperative and that not only in relation to the mass of the population. There is another manifestation of social tension which in certain countries is assuming an acute form. In each generation of young men entering a country's active life, there are dynamic elements, incisive minds, well fitted to combine technique with commerce, industry, the arts. If these elements are not effectively absorbed by the growth of the economy, if economic development weakens or stagnation supervenes, these elements gradually accumulate in society and very serious resentment and frustration arise - these are factors whose importance is self-evident in several countries of Latin America, and whose depth and implications are too great for them to be overlooked by economists when the social and political aspects of economic development are under consideration. This sense of frustration may have very grave effects on the economic system itself. For, in the last analysis, the dynamic validity of a system is to be found not in written expositions or in the abstract theories which present it as a scheme in which economic forces spontaneously fulfill economic and social aims, but in the evidence that its practical achievements are measurable in terms of specific solutions for Latin America's serious economic development problems.



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ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama, 15 May 1959

STATEMENT BY MR. GEORGES-PICOT, HEAD OF THE FRENCH DELEGATION

AT THE MEETING ON 15 MAY 1959

I should like to use this opportunity offered to me in the debate to convey to the Government of Panama, on behalf of the French delegation, our gratitude for its generous hospitality. It is certainly a good omen for the work of the Commission and for the solution of the problems that confront us that we should be meeting in this beautiful country of the Isthmus, where the progressive spirit of the people and the determination of the Government to speed up the economic and social development of the nation are everywhere in evidence. It is a good thing that in spite of the abstract concepts to which we are obliged to resort because our debates are necessarily of a general nature, we should be able to benefit by direct and immediate contact with human reality. It is a good thing that we should be meeting in the heart of this city, in the very place where the aspirations of the nation find expression through the voice of its Parliament.

Allow me, Mr. Chairman, to congratulate you on behalf of myself and the French delegation on your election as Chairman of this session of the Commission, which in this way has paid a tribute both to the Minister of Finance of the Republic of Panama and to a distinguished representative of that generation of economists to which Mr. Prebisch referred this morning. We also wish to congratulate the two respected Vice-Chairmen and the

/particularly well

particularly well-qualified Rapporteur chosen by the Commission this morning.

The work of the Commission is now entering a new phase, full of promise for the future, namely the search for multilateral solutions to the problems raised by the economic development of the region. On the basis of the resolutions adopted at our session at La Paz, a considerable task has been accomplished through the joint effort of the Governments and the secretariat. The voluminous documentation we have received is a proof of this. Thanks to the work of those of our distinguished colleagues who, in Santiago, in Mexico, in Caracas, and in our meetings have studied in detail the complex problems raised by the economic integration of the region, the Commission can now enter upon a new and decisive stage in the promotion of international cooperation. This realization of the need to tackle regional problems as a whole and to envisage bolder methods in economic relations is a great event in the history of ECLA. We should be grateful to Mr. Prebisch and his colleagues, who, through their untiring activity, their efficiency and their devotion, which has been put to the rest, have ensured that the considerable programme of work decided on at La Paz has been carried out. As always, the studies and economic analyses which they have submitted to us are remarkable for their precision and clarity. There can be no doubt that we now have at our disposal the fundamental information without which long- or even medium-term action cannot be conceived, and still less undertaken. Knowing the problems must not, of course, be confused with solving them, but it is an essential preliminary.

/In undertaking

In undertaking these scientific analyses and forecasts, the secretariat is on the right road. We must encourage it to continue with this task and give it the support of our national services.

As at all our sessions, the annual Economic survey prepared by the secretariat is the central document around which our work must be organized. It is, as usual, very full, and we must congratulate the authors, particularly on the care they have taken to give a description, both by countries and for the region as a whole, of events since our last session.

Those events do not all, unfortunately, give grounds for satisfaction - far from it. The difficulties which Latin America, like other regions of the world, encounters in its economic development, far from being eliminated, have become more acute. The secretariat's analysis brings out this deterioration of the situation. In 1958 the balance of payments of twelve of the twenty republics showed a deficit. The others have, for the most part, only succeeded in balancing their payments by reducing their purchases below the level necessary to maintain current economic activity. In total, the value of exports fell by 6% and the payments deficit of the region increased from 154 million dollars in 1957 to 914 million dollars in 1958.

The secretariat's analysis thus confirms the truth of two propositions which appear to us to be fundamental:

1) The fall in the export capacity of the Latin-American countries has been the main obstacle to their economic development, which depends on a continual increase in imports of capital goods and fuel and power;

/2) There

2) There is a close relation between the export capacity of these countries and the rate of economic development of the industrial countries of North America and Western Europe. The slowing up of expansion in the latter countries during 1957 and 1958 has had a direct effect on the volume and price of primary commodities, which are the principal exports of Latin America. Conversely, the economic revival which has been evident for some months has already had favourable repercussions on the prices of primary commodities and thus gives reason to hope that the export capacity of the Latin American countries will be maintained, and even increased, over the coming months.

This reversal of the situation and the encouraging prospects before us today must not, however, make us forget the lessons of the years 1957-1958. That alarm enabled us to discover the structural weaknesses which affect the economy of the region and hinder its development.

Thus, by studying the past situation and examining thoroughly the various economic factors which controlled its development, we are necessarily led to look towards the future; in order to define the principles of the coordinated economic policy which the Commission has to work out.

To achieve our fundamental aim, which is to raise the standard of living of the peoples of this vast part of the world, we must, first of all, continue and extend the industrialization already begun so as to bring about the necessary increase in total production.

The growth of investments is still the first condition for this development. Although the principal role in this respect must belong, as has already been stressed, to private enterprise, it is the duty of Governments to give it the necessary structure, support and guarantees without which the required results cannot be achieved.

Government action can, first of all, take the form of forecasts. The aim must be continually more thorough analyses of the various factors which condition the development of the economy and coordinated planning designed not only to overcome immediate difficulties, but, through the establishment of medium-term, and even long-term programmes, to give direction to the overall effort by establishing orders of priority.

In order to finance the work thus planned, the collaboration of international bodies - to which the new Inter-American Bank has been added - and of the countries which provide capital equipment must be increased. France, which has already taken part in the industrialization of the region, and wishes to play a still more active role, has, just recently, through the person most authorized to do so, declared itself in favour of a programme of international expansion to help the countries in the process of development.

But these efforts will not be enough to create suitable conditions for the required expansion of investment. If the process of industrialization, is to produce its full effect, it cannot be carried out in separation and isolation. You have realized that only an extensive market,

/gathering together

gathering together the millions of consumers of Latin America, together with the assurance of satisfactory profit, will make it possible to set up large industrial groups and to establish that industrial collaboration between the different countries of the region which is a necessity for their common prosperity.

The French delegation is happy to take this opportunity to express its appreciation of the efforts made by the ECLA secretariat and the delegations that in the various working groups have laboured for the establishment of this common market we hope soon to see translated into fact. The market by opening up possibilities for specialization in industry and reduction in costs of production will provide the best incentive for a flow of foreign capital. As several delegations have already pointed out, the market cannot, however, remain a mere preferential trade area. It would be short-sighted to seek merely to give another direction to the flow of trade which it is quite clear must continue to unite Latin America with the rest of the world for the benefit of all parties.

In the study prepared by the secretariat, it was rightly pointed out that the economic solidarity of the industrialized countries with the countries undergoing industrialization is one of the essential characteristics of the present-day world. The aim of the common market cannot therefore be to encourage a sterile autarky but to create conditions favourable for an ever expanding trade with the outside world. The Latin American common market is a step towards the desirable aim of freer trade

/throughout the



throughout the world. It is with pleasure that I convey to you the hopes of my Government for a successful conclusion to this enterprise. You may rest assured that it will give it the warmest welcome in all international bodies.

Trade with the world's great industrial centres can be maintained and intensified only if export resources are developed. To increase these resources and to protect them from fluctuations on the world market export production must be diversified. There, too, the common market by making it possible to rationalize present production and by encouraging new types of production, will hold out encouraging prospects to its members.

The process of economic integration must be supplemented by collaboration between countries that export and countries that import primary commodities with a view to the organization of the international trade in these commodities. The steps taken so far - and these should be accompanied by increased efforts by exporter countries to improve marketing methods - show that collaboration of this kind is already an established fact. The history of stabilization agreements shows that the time has now passed when one country might refuse to take part in any effort which did not directly affect the commodity which was particularly important to it. National egoism and shortsighted decisions are not yet, however, completely things of the past.

/France for

France for its part, like the other partners in the European Community, has already given concrete proof of its desire to co-operate. France hopes that participation extending ever further throughout the world will make it possible to strengthen the effectiveness of inter-governmental agreements now in force and to arrive at further conventions. I will recall only the part which my country played in the operation of the Tin Agreement, in the recent renewal of the sugar and wheat agreements, in the work undertaken for the organization of the lead and zinc markets and in the recent meeting in New York of the Commission on International Commodity Trade.

As I have just pointed out, one of the decisive factors in maintaining and increasing the export resources of Latin America continues to be the constant growth of economic activity in the highly industrialized countries. In this respect, the development of industrial production expected as a result of the establishment of the European Common Market should be a notable contribution to the improvement of the balances of payments of countries exporting primary commodities. The European Community is far and away the largest importer of primary commodities in the world. In addition, the continually developing rationalization of industry which will result from the European Common Market coming into operation, may, as the secretariat has already stated, lead the Community's six member countries to ever greater specialization of their production, thus creating new import needs for semi-manufactured goods.

/In this,

In this, international organizations have special responsibilities. It is their task to collect documentation and carry out the technical studies and economic surveys to which I referred a few moments ago. International organizations must furthermore stimulate international co-operation and encourage Governments to adopt policies in keeping with the interdependence of different economies and the indispensable solidarity of nations. In the event of an economic recession, as occurred quite recently, international organizations must become the advocates of international and multilateral policies to combat a resurgence of autarky and economic nationalism. Our efforts must converge towards a true harmonization of national economic policies. ECLA's work for the establishment of a Latin American common market is an excellent example of this. Another example is to be found in the decision taken in New York in March by the Commission on International Commodity Trade to undertake an analysis together with a medium-term forecast of the production of and international trade in the main primary commodities. This work should make it possible to lay down production aims in relation to market needs, as calculated for 1965. A proposal to that effect had already been submitted by Mexico and adopted at the July 1958 session of the Economic and Social Council. Any further efforts of the same kind will have the support of my Government. We believe that if this work of forecasting were pursued systematically, it would be possible to bring a certain degree of organization into international economic life without having recourse to more authoritarian solutions. In our day, it is no longer possible to sit back in resignation and watch

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the accumulation of vast quantities of surplus agricultural or mining products for which there is no market, merely because a few years earlier favourable but temporary market conditions had incited planters and mining companies to increase their production recklessly. A well conceived effort to make forecasts and to popularize the results of this survey should make it possible to sever the bonds, by no means inevitable and far from reasonable, which bind the output of a given product to conditions which existed several years previously and not as they are at the time of marketing the product. I must apologise for having dwelt at such length on this subject but it is of great importance to me.

Our work in ECLA must follow up these same guiding principles, in relation naturally to the special concerns of the area. My Government therefore hopes that within the framework of concerted action by the United Nations and the specialized agencies, the aims of which are to be defined in the near future by the Economic and Social Council, two subjects should be given particular attention and priority treatment by ECLA. These are, in view of the part they play in the general United Nations programme, firstly matters related to the organization of international primary commodity trade and secondly, from the regional point of view, the efforts to effect economic integration.

In conclusion, I should like to thank the member countries of ECLA and Mr. Prebisch for having extended to the European Economic Community and to the European Coal and Steel Community an invitation to send representatives to this session; they have thereby shown their desire to

/bring our

bring our two areas closer together and through reciprocal information work to achieve a greater and more fruitful understanding.

Mr. Faniel and I have been appointed to represent the European Economic Community here and I will leave it to him to provide you with certain information concerning the structure and operation of the European Common Market. Mr. Christaki, who represents here the High Authority of the European Coal and Steel Community, will for his part speak to you on behalf of that Community.

I am, for my part, very happy to have this opportunity to express the great interest which the European Community takes in the efforts being made by the Governments of the Latin American countries to promote economic expansion and stimulate co-operation throughout the area.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 15 May 1959

STATEMENT BY MR. ROBERT FANELI, REPRESENTATIVE  
OF THE EUROPEAN ECONOMIC COMMUNITY,  
ON FRIDAY, 15 MAY 1959

The member countries of ECLA agreed that the Executive Secretary, Mr. Raul Prebisch, should invite the European Economic Community to send representatives to this session. This was a gesture of courteous friendliness.

The European Community was pleased to have this opportunity to send its greetings to you at the very place where as we have done in Europe, you are building a closer union between your countries.

Thus the very first mission with which the European Community's representatives have been entrusted is, as Mr. Georges-Picot has already told you, to bring you greetings from the Community's institutions and from the six countries which belong to it. We wish to express our sincere desire to see success crown the constant struggle you are making for a better future, for solid economic prosperity and for the health and happiness of your peoples.

Our second mission is to introduce you to the European Economic Community which has just appeared on the international scene. A gesture of simple courtesy; but more than that for it is intended to show you the European Economic Community as it is, its aims and its methods of achieving them. You will see in all this a firm desire to avoid misunderstanding and to prove to you that we wish to live as good neighbours with the outside world and to show you why that will be possible.

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ECLA is a particularly suitable body for such an introduction:

1. Firstly, because this meeting of yours gives me a unique opportunity to make the acquaintance on one single occasion and as a family the representatives of the twenty Governments of Latin America and not only those with whom the European Community has already established contacts in other international bodies;

2. Secondly, because ECLA, which is a United Nations Commission where work is carried on for the purposes of economic and social co-operation, seems well suited to a first meeting, the aim of which is to draw closer the links between two areas, two groups of countries, so as to achieve better understanding of the aims pursued by both parties.

We have learnt from your discussions about the aims which you are pursuing; the aims of the European Community. I shall, now with your permission, Mr. Chairman, outline to you.

Allow me, first of all to embark upon a brief description. I shall depict for you in two outlines the reasons why Europe is inevitably on the way to economic integration.

Firstly: The six countries of the European Community have 163 million inhabitants. This means a density of 140 inhabitants per square kilometre of land area. Equivalent densities for other countries are 21 per square kilometre in the USA, 2 in Canada, 9 in USSR and in Latin America; 7 in Argentina, about 7 in Brazil, 3 in Bolivia, 19 in Costa Rica, about 9 in Chile, etc.

This density of 140 inhabitants per square kilometre involves close relationships between every man and his neighbour, relationships of interest with constant and intense exchange.

/Secondly:

Secondly: In the six countries of the European Community each square kilometre produces an average of 120,000 dollars per year, while in the United States it produces only 49,000 dollars.

I say this to show you how closely knit the machinery of production is. On both sides of all frontiers cultivated land jostles against factories. Frontier areas have common geographic characteristics.

The multiplicity of the means of transport and the increased speed of communication by road, rail and air are such that even areas far removed from the frontiers are aware of and influence each other and have an economic and social heart which wishes to beat in unison with the other regions beyond the frontiers.

Nonetheless, legislation and economic social and financial regulations have left the different parts of these areas which are natural geographic and economic units with widely varying structures. Closeness, and I would say even co-habitation, have given an irritating quality to these differences of structure and potential artificially created in the past.

The standard of living of the inhabitants had to be made uniform and increased. More had to be produced more cheaply. Output had to be increased not only to give more to the inhabitants of the six countries but also to use exports of capital goods to pay for the considerable increase in imports of commodities which was foreseen in order to reach the first aim: in 15 years an increase of 95 per cent of tea, coffee and cacao, 112 per cent of wood and wood pulp, 150 per cent of rubber and 260 per cent of minerals and metals, etc.

Political needs demanded the economic unification and integration - political will brought it about. There have been several stages:

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After the First World War, 1914/18, there was the belgo-luxembourgish economic union embracing two countries. After the Second World War, Benelux established embracing three countries.

There was, and there still is, an effort being made by 17 countries to ensure economic co-operation. This is the purpose of OEEC (Organization for European Economic Co-operation) and was made possible by the Marshall Plan of American aid to Europe at the close of the Second World War. This was a general plan on the grand scale, if ever there was one. Close co-operation between the 17 countries has made great things possible.

OEEC has attempted to eliminate the external symptoms of division between the economies of the European countries but has unfortunately not had the power to remove the causes of those symptoms.

More was needed; steps had to be taken to go further towards co-operation itself within a more closely knit framework than the 17 countries if ever it should be shown that an attempt at co-operation limited to a smaller geographical area was necessary to give the movement new drive.

A first attempt to overcome the barriers and to progress further towards integration was made by the six countries which joined the European Coal and Steel Community. The Coal and Steel Pool achieved total integration for the first time although in a limited field.

The six countries concerned decided to go further, and there soon came into existence Euratom and the European Economic Community established by the signature of the Treaty of Rome on 25 March 1957.

The European Economic Community will be a common market, that is a market within which goods and services will flow freely and without hindrance.

The Treaty of Rome did, however, do more than decree the establishment by successive stages of this free movement. Not content with the gradual elimination of obstacles to trade, customs tariffs, taxes, quotas and similar measures, it also provided for the elimination of the causes which had given birth to such measures. This, Mr. Chairman, is the particularly original characteristic of the step taken by the six countries.

The European Economic Community does not therefore content itself when tackling the problem of the establishment of a common market with taking measures for the proper regulation of the foreign trade of the six participating States. The European Economic Community's programme as regards the common market is broader and more ambitious. It aims at nothing less than linking the economic areas of the six countries so as to place economic exchanges within the area on a new footing as close as possible to those existing within the market of a single country.

How can this aim be achieved? Firstly, by removing the barriers which have so far stood in the way of such a system. These include customs duties and, above all, quota restrictions. The Treaty shows great prudence in dealing with the problem of the elimination of these barriers which have so far protected the different national economies. It provides for a programme for that purpose spread over a period of from 12 to 15 years. It also provides for the establishment of an investment bank which should help to meet the difficulties arising out of the creation of the Community, it provides also a social fund to take action each time it is necessary to make radical changes likely to affect the labour market and the level of employment.

By the juridical form a part of these provisions have given rise to the

/establishment of

establishment of a customs union. This form was chosen because a model was found for it in international economic policy. GATT, that great world-wide trade and customs association, expressly authorizes the members of a customs union to accord each other a different treatment, that is to say a better treatment than that which they grant to States outside their union. This difference in treatment is even recommended as it leads broadly to greater freedom and to more liberal trade within larger economic areas; it is for that reason that different treatment is authorized under certain conditions; we have respected those conditions. A customs union furthermore provides for a common external tariff for reasons that are so obvious that I shall refer to them only briefly. If participating countries continued to have complete autonomy in their trade and customs policies, one country could too easily divert the flow of trade by manipulating its tariffs.

I have already said, however, that our Community goes considerably beyond a mere customs union.

It does so firstly because it is not confined to trade in goods. Indeed, it establishes within the Community what we call "the four freedoms"; these are: the free movement of persons, the freedom of establishment, the free flow of services and, lastly, the free flow of capital.

Lastly, our Community is more than a simple customs union chiefly because it aims at eliminating the distortions of artificially engendered competition.

The aim of the Treaty is to prevent Governments from taking artificial anti-economic measures contrary to the natural trend of economic activity

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and so to prevent them influencing trade within the Community.

That is why the second part of the Treaty also contains special provisions concerning transport. It provides for the elimination of preferential customs duties and tariffs which are contrary to free competition.

Close co-operation in this would be impossible without the harmonization of transport policies and a concordant development of the means of transport.

For this reason also the third part of the Rome Treaty ensures the gradual application of a common policy which will take the place of the individual policies of each of the six members.

This third part is particularly important and clearly requires States to consent to considerable sacrifice, as for example, the abandonment of age-long discriminatory practices which have become firmly established economic habits. That part of the Treaty will therefore deal with the rules of competition which are to be identical everywhere and which condemn State aid, dumping, and all types of practices restricting production and the free flow of goods and services, intended to give any one State a privileged position.

Similarly, tax laws will be co-ordinated and made non-discriminatory; in a general way there will be a concordance and co-ordination of the legislation in all six countries according to need. Three later chapters are devoted to economic policy. There must be a common trade policy by the end of the transition period that is after 15 years at the most. The Community should negotiate and sign a single agreement with any third party on behalf of the six member countries.

Policies relating to the economic situation at any given time become a matter of common interest that the Six deal with as a group. Similarly,

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the closest collaboration is guaranteed in questions of monetary policy; Exchange rates have also been decreed a question of mutual interest.

Lastly, two chapters deal with social policy. Provision has been made to ensure that social inequalities do not impede efforts to reconcile opposing forces in economic questions.

It was not without good cause that I have dwelt at such length on the provisions of the Rome Treaty. The equilibrium visible in the chapters is a brief indication of the balance maintained in the text. Two chapters are devoted to the free circulation of goods and to agriculture and six to other matters.

This therefore, will make it quite clear that it could be a profound mistake for any person to regard the establishment of the Common Market as a mere attempt to abolish customs barriers. The European Community is far greater undertaking.

Its purpose is to establish an economic entity, one only but with six territories. The Common Market is by no means a mere affair of geographical juxtaposition; it is a coherent alloy that will issue from the crucible in to which will have been poured all the elements that will make certain the consistency of the alloy, the social economic financial and political elements.

This means, therefore, that when we speak of customs tariffs, it is impossible for us to consider the matter solely from the angle of tariff. We must also look at it from a more varied point of view, one which will include its repercussions on the innermost life of the whole Community. Similarly, if we find it impossible to settle any question tariffs for example, there is nothing to prevent us from a solution from another direction since all approaches are open to us. I cannot stress too much that to forget

this special feature of the system created by the European Six is to forget its very essentials.

I should like to bring to your notice yet another characteristic of our Community: When Europe had to be reconstructed after the terrible destruction of the World War, the age of mass production was inaugurated with the coming of the robot and automation.

It has become clear that a modern economy cannot survive unless it can dispose of wide marketing areas. That is why the whole philosophy of the Rome Treaty is founded on the idea of free trade, both as regards matters arising between member states and those between the member States and other countries.

The determination of the Community to achieve free trade is evident in article 18 of the Treaty on the establishment of a common customs tariff which is to the effect that the member States declare themselves ready to contribute to the development of international trade and to the removal of obstacles to trade by concluding agreements for the reduction of customs duties below the general level which they could adopt.

This determination is to be found in the very method adopted in establishing a common customstariff, which will be no more restrictive than that of the Six member states. I would add that we are firmly convinced that this common tariff, in the form we have given it, is more liberal than that of the Six, as will be apparent from the weighting of the arithmaetical averages chosen as the basis for calculation.

A further proof of this determination is to be found in the decision which the Community has just taken to agree to the tariff negotiations proposed

/in GATT

in GATT by the United States Under-Secretary of State, Mr. Douglas Dillon, the purpose of which will be to reduce the common tariff to a level still lower than that set initially. And that, Mr. Chairman, will certainly be of great interest to the countries of Latin America.

But, you will say, to what extent have you taken your relations with other States into account, and why a community of six only?

Two questions to which I must give a reply.

To the first, I reply that the Rome Treaty was anxious above all not to set up in the centre of the world an economic group which would withdraw into itself, isolate itself and be more a source of division, restriction and hardship than of union, freedom and prosperity.

The close dependence of the European Six on the rest of the world no longer needs to be shown. It is a fact. Without the outside world, the Six would be of little account. It would be taxing the pioneers of the Common Market with extreme short-sightedness to think that they had forgotten this fundamental truth. To prove that this is not the case, let me quote from the Treaty.

First of all, article 29, which also deals with tariffs states that in fulfilling the functions entrusted to it, the Commission shall be guided by the need to promote trade between member States and third countries.

Article 110, which constitutes the foundation of the trade policy lays down that in establishing a customs union between them the member States intend to contribute to the harmonious development of world trade.

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Finally, a declaration of purpose gives these articles their full value. The joint declaration concerning cooperation by international organizations with member States is to the following effect

"Recognizing that the establishment of a customs union between them must contribute to the prosperity of other countries,...Desirous of enabling those countries to share the prospects of expansion offered by the establishment of the union...Declare themselves ready to conclude agreements with other countries which will ensure the harmonious development of trade".

After having brought to your notice these articles from the Treaty and the declaration which is an integral part of the Rome agreements, I cannot but regret the incomprehension of any who might persist in regarding the Rome Treaty, in spite of the most solemn affirmations, as an act of isolationism and a threat to the interests of third parties.

Why six nations? Simply because it was necessary to begin somewhere. I have deliberately used the word to begin, because we have left the doors wide open for others to follow us. Article 237 of the Treaty explicitly provides that other States may become members of the Community. The right of accession will not be bartered. But it must be realised that on becoming a member of a club every one must pay an entrance fee, which must be the same for all.

The Treaty goes further than article 237. Article 238 contemplates the right of association for those who cannot become full members. "The reciprocal rights and obligations ..... of associates will be freely discussed",

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and the Treaty does not exclude the possibility even of amending some of its clauses if there is clearly no other way of entering on a reasonable basis an association desired by both parties.

The Rome Treaty is liberal in its aims and its purposes, in its spirit in its text; it cannot and must not be considered as the deliberate and final creation of six countries for six countries, but as a long-term work, easily accessible which should benefit the whole world by associating it with its activities in every possible way.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

STATEMENT MADE BY THE REPRESENTATIVE OF MEXICO  
MR. PLACIDO GARCÍA REYNOSO IN THE GENERAL DEBATE,  
SECOND PLENARY MEETING, HELD ON 15 MAY 1959

My delegation, Mr. Chairman, in congratulating you on your election as Chairman of the eighth session of the Economic Commission for Latin America, is happy to know that our debates will receive the wise guidance of one so highly gifted as yourself. It is fortunate that this conference is being held in the capital of the Republic of Panama. Through my intermediary the Government of Mexico conveys its sincere thanks to the Government of Panama for its kind invitation to our regional commission, to meet in this beautiful country and here to resume the discussions in which we of the ECLA countries have been engaged for more than ten years.

The essential task of the Economic Commission for Latin America is to study both nationally and internationally all questions affecting the economic development of our countries. We of Latin America are a conglomeration of peoples of widely varying characteristics united by a single common denominator; a level of living which has indeed improved over recent decades but is not consistent with that to which in view of the example of other peoples, we have a right to aspire, nor yet with the full development of our natural and human resources. There can be no doubt whatever that the central issue in Latin America today and for many years

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to come, will be the need to increase our efforts, to apply the findings of science and technology more intensively to our development, to consolidate our social and political structures, to organize our countries more efficiently and in a word to seek every possible means for the permanent improvement of the standard of living of our peoples.

We must recognize that a general view of economic events in Latin America in the last decade shows progress still to have been very uneven and to have proceeded by fits and starts. Countries there are which are rapidly becoming industrialized and next to them others that are failing to emerge from their state of stagnation; industries whose growth has been spectacular, and at their side others that have been completely lacking in drive; there have been audacious measures and plans, and yet we have continued to witness fears and resistance, and in some instances even a certain lack of faith in the future. From the successes achieved must unfortunately be deducted a number of failures; the periods of great activity have not been sustained for very long and have been followed by seasons of discouragement. We seem at the moment to be in one of these seasons; there has been for instance the severe crisis that has struck the market for and the prices of Latin American export goods, and now prospects seem far from bright; it is, however, in these periods that the essential problems of the economy of Latin America are approached with greater realism.

Clearly, facile formulae or solutions which have already been proved ineffective in other places cannot be used in dealing with the difficulties facing us. While it is generally true that the greater part of the earth's surface is under-developed, it must be recognized that different areas and

/countries will

countries will require political solutions especially suited to their way of life, traditions and social structure. For this reason Latin America has in recent years been trying to clarify its own views regarding economic development and to find solutions which fit closely with the facts as we know them.

This in no way means that Latin America is unreceptive to ideas brought in from elsewhere or that it fails to understand events in other under-developed areas; on the contrary, the very work carried out by the Economic Commission for Latin America is the best proof that the problems of our area are constantly compared with experience elsewhere in the world, because, through the United Nations, we maintain relations with other areas and keep ourselves informed of the policies of the more advanced countries. It is, however, no exaggeration to say that Latin America is gradually forging an economic ideology which will in time of necessity facilitate mutual understanding between us, give us new strength and put a truly Latin American stamp on the types of development we undertake.

In this task, the guidance given by the Economic Commission for Latin America has been of the first importance. Our regional organization has drawn up a balance-sheet for Latin America and has created awareness of the true nature of its economic problems. The secretariat's careful and imaginative research, and the increasing frequency with which representatives of Governments or technical experts, economists, agronomists and industrialists meet together, either at sessions of the Commission or through committees, working groups and seminars, have resulted in a more thorough knowledge of our needs and possibilities and have abridged, in

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respect of its own individual problems, every country's apprenticeship for development. We can affirm with satisfaction that we have created and are turning to account for our own benefit an institutional instrument which is leaving its mark on our economic history.

When I referred a moment ago to the periods of discouragement; I was thinking particularly of Latin America's economic situation in the last three years, and especially in 1958 and at the present time, so accurately analysed by the secretariat of the Economic Commission for Latin America in the annual Economic survey presented to this session. The survey very rightly points out that in Latin America the over-all rate of growth barely keeps pace with that of the population, and that this is largely due to the slow rate of evolution of the industrialized countries, not to our countries' inability to produce larger quantities of the primary commodities that still characterize our export economies. The countries which generate a major share of world income, and which are the purchasers of our exports, are no longer developing as rapidly as in former years and in many cases even register substantial surpluses of industrial capacity. This circumstance, combined with protectionism in respect of the agricultural and mining sectors in some of the countries concerned, as well as with other factors, accounts for a great deal of the sluggishness of world markets and the consequent weakening of prices for Latin America's exports.

On the other hand, the inflexibility of prices in the industrial countries and the inflationary trends prevalent in some of them have steadily raised the price of those goods which we import, including the

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equipment with which we are building up our own industry. As can clearly be seen in the 1958 Economic survey, Latin America's trade with the industrial countries has perceptibly deteriorated since 1955; this deterioration in fact represents over 12 per cent, and - what is more serious - the position of Latin America has been still more unfavourable than that of the producers of primary commodities as a whole.

The loss of foreign exchange income due to the fall in prices for primary commodities, apart from the correlative monetary and fiscal difficulties created in most of the Latin American countries, have had other more profound effects. In the first place, they have compelled private enterprise in the Latin American countries to defer many investment projects or to shelve them altogether; thus, all our Governments' careful endeavours to provide incentives for domestic private investment have been counteracted. Moreover, it has become necessary to halt or even to slow up the rate of public investment expenditure, most of which is essential for the achievement of the steady increases in agricultural and industrial production which our development requires. Where long-term development plans or programmes have been formulated, these have often had to undergo drastic modification. In short, the unsatisfactory world market situation has had its repercussions, and everything seems to suggest that it will continue to exert an adverse influence on the process of capital formation in Latin America.

In turn, as our regional organization rightly points out, the insufficiency of imports to which the Latin American countries find themselves reduced is, in some cases, a direct cause of inflationary pressures which serve only to aggravate development difficulties. In reality, imports are still the decisive factor in the growth of Latin America as regards the rate of capital formation; this is why every year that goes by without an improvement in the market and without a cessation of the downward movement in trade, is one more year

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frustration as far as economic development is concerned.

We must continue to concern ourselves with primary commodities, because until that matter is solved we cannot reckon on any prospect of expansion and because the solution required seems to be the most difficult to find.

Although there has been a certain favourable trend in international financing of development and although in the Latin American sector we have finally achieved our old ideal of having a special regional financing body in addition to the other available sources of foreign capital, on the other hand, for the stabilization of the prices of primary commodities and regulation of the long-term markets for them, we have taken very few steps, and those quite provisional. This is a world problem and not merely a Latin American one, and any lasting solution will have to be sought beyond any purely regional relations. For almost all the important export products of Latin America there are rival producer areas and amongst them are some whose recent progress has helped to aggravate the situation of relative over-production which prevails.

This problem also concerns the consumer countries, whose collaboration has not always been evident in discussion on stabilizing primary commodity prices. It arouses a certain disquiet to find that

such reluctance on the part of the big countries which consume two of the most important agricultural products of the tropics has been the

main factor which has prevented us from arriving at a basis of agreement and formulating

and formulating an international policy on those goods. By contrast, the discussions held very recently on lead and zinc, in which, through the United Nations, representatives of almost all the producer and consumer countries took part, seem to have given fairly positive results. It is coming to be recognized more and more clearly that the weakening of the primary commodity markets is partly the responsibility of the consumer countries and not just the result of surplus production. Naturally, in cases where the latter is the determining factor, the producer countries must be held responsible and the action required from them to restore the equilibrium between world supply and demand must be duly prescribed.

It is essential to act in accordance with reality and not to seek solutions founded on emotion or a desire for immediate success, nor, going to the other extreme, can we refrain from any attempt at settlements. Some amount of progress is to be observed in understanding the problems connected with certain products. Furthermore, the Commission on International Commodity Trade has resumed its work under the best possible auspices. The expert group of the General Agreement on Tariffs and Trade (GATT) also, has, conscientiously examined the problem and has suggested certain lines of policy which, if studied more thoroughly, might reveal new solutions; amongst other things, the expert group's study has brought out the harm which excessive agricultural protection by the industrial countries does to the less developed countries and the tangible benefits which would accrue to the latter from a reduction, however small, in such protection.

Bearing in mind all these new approaches and knowing, as we certainly do, how important international price stability is for the economic development of our countries, we can be hopeful that the methods currently applied to solve /these problems



these problems will occasion no further relapses. There must be ample and full co-operation by the industrial countries - both in this continent and in Europe - in the economic development of Latin America, and it must embrace the question of primary commodities and not just the aspects of finance and international investment.

Leaving aside the external problems of the economy of Latin America dealt with above and passing on to more internal matters, we must note that the recent evolution of our countries, as a whole, shows that industrialization, however remarkable the achievements of some countries, has been suffering from great setbacks. As has already become clear in the Economic and Social Council and the General Assembly of the United Nations, the question at issue is how to speed up industrialization, for discussion of whether it is necessary or not already belongs to the past, and this applies also to the need for balance between industrial and agricultural development. The emphasis has been placed on the rate of industrialization, on new ways in which international organizations can help to raise productivity, in order to reduce the costs of industrial expansion and to speed up the assimilation of new techniques. Now is the moment to ask here, in the Commission, whether the rate of industrialization in Latin America is satisfactory, whether we are doing all we should in our respective countries to stimulate it and whether our own regional organization is devoting itself with sufficient intensity to this task. In the studies which the secretariat has submitted to us there is a striking contrast between the rate of growth of the manufacturing industry in the last few years, as revealed by the annual Economic Survey, and future requirements according to the projection of the Latin American economy to be found in another document

another document. The disparity between the 3.5 million tons of steel ingots produced in Latin America in 1958 and the estimate of about 35 million tons for probable consumption in 1975 may, for instance, induce us to revise radically the efforts which we have to make in respect to both the primary industries and other branches, since the ultimate aim of our industrialization is naturally to provide larger quantities of the consumer goods that characterize a high standard of living.

It is evident that attention should be concentrated in both sectors on all that would conduce to economy of investment, higher yields and improved utilization of equipment. It is equally desirable to intensify the training of technicians and skilled labour; this is an aspect to which the Economic Commission for Latin America has already alluded on previous occasions, and to which the specialized agencies are increasingly directing their attention.

The interest displayed by Latin America in the development of the big industries which the secretariat describes, in the Economic Survey as the "dynamic industries", should not distract our attention from the other branches, whether traditional or new, which directly supply the population's current consumer requirements. It is precisely these branches which the Survey considers can only evolve at the same rate as income and population, and the demand for which therefore expands slowly. It would undoubtedly be useful if the secretariat were to make a more detailed analysis in future of the problems facing this kind of industry and the reasons for the inadequate growth of demand for its products. It is very likely that one of the conditioning factors of this slow pace is the structure of income distribution in Latin America, although there may be others as well.

/If such

If such a study were undertaken, it would be helpful if the secretariat could also examine the relationship between income distribution and industrialization, and, more fully, between income distribution and economic development in general.

The interest felt in the expansion of the external market, which is one of the objectives of the Latin American common market, should on no account be allowed by any of the members of this Commission to act as a delaying factor in carrying out its responsibility to take the proper steps for the development of our own home markets by means of a better distribution of income which would give more purchasing power to large groups of the population now obliged to forego many of the consumer goods produced in our industrial plants.

The imminent adoption of this new social policy and the advisability, underlined by recent events in Latin America, of breaching this subject in the Commission, are two circumstances which were pointed out to us last night by the Secretary General at the opening of this session. "Obviously," Mr. Hammarskjöld said, "the question of deciding what balance must be struck between the often conflicting claims of social justice and rapid capital formation is one which each Government must decide for itself."

Moreover, although the Latin American common market has been envisaged as an effective instrument for raising the living standard of our peoples through increased industrialization and higher productivity, the activities of the second Trade Committee session, which is

/about to

about to end, have revealed that, in spite of the efforts made by the Economic Commission for Latin America and by the Working Groups, and of the great interest which has been widely aroused by the Committee, some time must still elapse - how long we cannot unfortunately judge as yet - before the Latin American common market can become a reality.

Hence, without abandoning our efforts to achieve regional economic integration, we should take steps without delay to improve the precarious economic and social conditions in which much of our population lives and which offset, or at least reduce, the adverse repercussions of external economic factors which have had such an adverse effect on our region, especially in the past year.

In addition, as Mr. Hammarskjöld said himself yesterday:

"These new developments (the common market and integration) it seems to me, apart from their inherent merits, are bound to influence the orientation of your work in other sectors, giving them, so to speak, an additional dimension. Important as they may be, they should be kept in their true perspective, lest we be tempted to believe that we have found a magic cure for all our ills".

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In our view, the ECLA sessions, besides enabling Governments to sketch out plans for such problems as they may deem of most pressing importance in relation to the future development of Latin America, ought to provide an opportunity for making suggestions with respect to the type of work that it is felt our Commission might best undertake. As far as we are concerned, we have reviewed in the foregoing remarks some aspects of ECLA activities which are of particular interest to Mexico and which may perhaps be equally useful for the other delegations.

I reserve the right to speak during the discussion on other items on the agenda during the next few days, and maybe give general expression to the views of my delegation on ECLA'S work programme for the immediate future, and the projects for the next five years which have been recommended for study by the Economic and Social Council. We feel, on reviewing the long list of previous ECLA resolutions and the projects enumerated in the programme of work, that there has been a certain dissipation of effort and that the secretariat has sometimes been asked to undertake tasks which are not always of importance for all the Latin American countries. We are glad to note that present circumstances have led to fairly close concentration on the studies on economic development as well as on work connected with the growth of industry and, to an increasing extent, on preparations for the formation of the Latin American common market.

Perhaps, in view of the limited resources open to us, especially as regards properly qualified personnel, we should reaffirm this tendency and refrain from recommending any new project that cannot be incorporated into  
/these three

these three major work categories, bearing in mind, furthermore, that there are other international agencies which can collaborate with us in their specialities. Perhaps it might also be desirable to impart greater practical utility to some of our Commission's activities, especially in questions of industrialization and energy, matters in connexion with which the United Nations Economic and Social Council at its recent session in Mexico has just adopted recommendations to the same effect. In all countries it can be noted that there is a great need for the exchange of experience through seminars, study groups, the work of international experts acting in an advisory capacity, and by other effective procedures to be turned to account in the search for satisfactory ways and means of solving issues raised by existing conditions. We must progress beyond general studies. There are signs that our Commission is leaving this stage behind, and that it will be able to go farther yet and approach what we might call the "work levels" of our Governments or of private industrial enterprise. We hope that the forthcoming discussions will bring to light those points on which all the delegations can reach agreement, in accordance with the spirit of co-operation that has so markedly characterized ECLA's work.

We also think it might be desirable to establish systematic and methodical co-ordination and exchange of experience among all the Regional Commissions. In addition, it seems to us of great importance that the offices of our Commission should maintain services for the constant dissemination of all information that may be of immediate use

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to those directly interested and to the general public. Still more beneficial will be the timely and regular distribution of all informative and illustrative material relating to the work which is being carried out, as well as of the periodical publications.

In conclusion, Mr. Chairman, I can say that the Government of Mexico looks with optimism upon the prospects for the economic development of Latin America. My country has made public the fact that it is prepared to co-operate enthusiastically in the solution of the area's problems and we are sure that adequate proof of this has been given by my delegation in the position it adopted in the Trade Committee on the question of the Latin American regional market.

The economic development policy which my country has been constantly pursuing for almost 40 years includes agrarian reform and the development of industry, agriculture, hydraulic works and power generation, transport, education and health; our policy also includes measures such as those which our monetary and financial authorities have been applying with great firmness in recent months, to balance the budget and prevent new deficits, to strengthen Mexican currency, to reduce or eliminate subsidies to concerns partly conducted by the State, and also to improve our balance of payments through the control of imports by the public sector, and other measures. All this means that we have faith in our ability to find effective means for combatting adverse economic conditions, both internal and external, so that the rhythm of our economic growth will continue to exceed - to an even greater extent - the high rate of

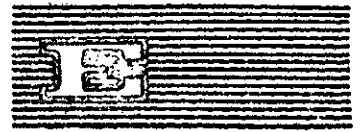
/population growth

population growth in Mexico.

The gradual abandonment of the old economic structure which converted us into mere reflections of the fluctuations in foreign trade, combined with the balanced development of our economies, and material and social progress - the latter, so we hope, receiving encouragement in the future, as the Secretary-General stated yesterday - such are the goals which are being achieved in Latin America and which make it possible to affirm that if our countries co-operate with each other and with the other members of the United Nations, we shall be able to make progress in our struggle towards the vastly improved welfare of our peoples.

Thank you, Mr. Chairman.





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OUT OF STOCK  
SEE SPANISH:

DISCURSO DEL SEÑOR CLEMENTE YEROVI INDABURU, DELEGADO DEL  
ECUADOR EN LA SEGUNDA SESION PLENARIA EL 15 DE MAYO DE 1959.



NACIONES UNIDAS

CONSEJO  
ECONOMICO  
Y SOCIAL



(E/CN.12/VIII) DI. 15

OUT OF STOCK  
SEE SPANISH:

INTERVENCION DEL SR. JOSE ANTONIO MAYOBRE, REPRESENTANTE DE  
VENEZUELA, EN LA SESION PLENARIA DEL 15 DE MAYO DE 1959.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

STATEMENT BY HIS EXCELLENCY HAROLD H. RUSSELL,  
REPRESENTATIVE OF THE UNITED STATES OF AMERICA,  
ON SATURDAY, 16 MAY 1959

The United States delegation is particularly happy to be present as we begin the second decade of the life of the Economic Commission for Latin America. The work of this Commission increasingly contributes to the common purposes which likewise direct and guide other inter-American entities, particularly the Organization of American States to which Secretary General Hammarskjöld made such warm reference in his address at our inaugural session.

It is indeed a privilege to meet in this delightful Republic of Panama since it holds a special significance for any inter-American conference, given the fact that it was likewise chosen by Bolívar when he inaugurated the practice of meeting together which practice has come to characterize the inter-American system. A recent event among the long list of historic Panama meetings was the first meeting ever held by the Presidents of the American Republics, which took place in this same city not quite three years ago. President Eisenhower on that occasion stated that "a great family history" had drawn together that unprecedented assemblage.

I repeat, Mr. President, the deep satisfaction we all find in meeting in this lovely country and I take this occasion to extend, on behalf of my delegation, our sincere appreciation to the Government

/of Panama

of Panama and its friendly people for their kindness and hospitality. As delegate of my country, I should like also to refer to the friendly act and cordial statement of President de la Guardia when he officially designated Point IV week in Panama last year in acknowledgement of the joint work of our two countries in national technical assistance programs - an act on his part which is deeply appreciated in the United States.

To deal in a lighter vein we might wish to seek certain limited satisfaction in the fact that economists and others primarily interested in economics form the major part of our delegations. Were they lawyers it might not be impertinent to note Balboa's letter to King Ferdinand which said in part and I quote, "May it please Your Majesty to order that no batch of lawyers come to these lands, under the threat of severe penalties, because not one has come who is not a devil leading the life of a devil, and not only are they bad themselves but they get everybody else involved in suits and troubles." I hastily disassociate myself from Balboa's characterization of members of the bar. If the reference has any value perhaps we might take it in the category of advice or even admonition that we may not become involved or involve others in the troubles which were so obviously discomforting to Balboa.

The statement of my delegation on this occasion will touch briefly on three subjects. These are: the economic development in my own country during the past year, the annual Economic Survey prepared by the ECLA secretariat, and the proposed Latin American regional market.

/The subject

The subject of economic development in our country has not been included in the United States statement in previous years. My delegation decided to touch upon the question this year in the belief that the economic recession and recovery therefrom would be of particular interest to you on this occasion.

We all know of the recession in economic activity through which my country has passed. I will talk about extent and rapidity of our economic recovery which demonstrate the resiliency of the American economy. I will be equally plain-spoken about the problems we face.

I am happy to report that by the end of 1958 the gross national product of the United States had almost completely recovered from the decline it suffered during the early part of the year, and the rate of recovery has been maintained so well that output reached a seasonally adjusted annual rate of about \$465 billion in the first quarter of the year, a new high for the United States economy in real as well as in dollar terms. This new level of output exceeds by a significant margin the previous record high achieved in the third quarter of 1957.

Personal income during the first quarter of 1959 was running at an annual rate of about \$17 billion higher than in the first quarter of 1958. This growth in personal income meant an equivalent growth in consumer's buying power because consumer prices have for the past year remained virtually stable.

This increased consumption is being spread among most of the major consumer items. For example, domestically produced automobiles have been

/selling at

selling at an annual rate of 5 to 6 million a year at least one million above the rate for 1958, despite the heavy competition from imported foreign cars.

The same picture of recovery is reflected in the growth of private domestic investment, which during the first quarter of 1959 was at an annual rate of about \$68.5 million, 11 percent higher than the previous quarter.

Another significant indicator of the recovery pattern is the index of industrial production which broke through to an all-time record high in March of this year. This index vividly portrays the depth of the recession and the rate of recovery. At the lowest point in the recession in April 1958 the index had dropped 14 percent below the previous high of February 1957. In the 11 months since April 1958 the entire loss was recovered.

The growth of industrial production is obviously a result of a general upturn in sales and orders. This fact could be illustrated by describing the situation in any number of industries including textiles, paper, chemicals and iron and steel. Because of its evident importance, I will confine my remarks to the iron and steel industry. New orders in steel during the first quarter of 1959 expanded by almost 40 percent as compared with the previous quarter, and in February 1959 set a new record. By April 1959 output in the steel industry had reached 93.5 percent of rated capacity. While to some extent this highly satisfactory level of production may have been induced by the desire to build up /inventories in

inventories in anticipation of a possible steel strike, it also reflects the broad advance in steel consumption by industry.

There has been some confusion concerning the extent of employment and unemployment in the United States. Many economic writers have dwelt on the employment and unemployment statistics to substantiate opposing viewpoints on the status of the United States economy. What are the facts?

From the peak level of 65 million employed in March 1957, total employment in the United States declined during the recession by approximately two million persons. It began to recover about the middle of 1958 and since has increased at an average monthly rate of 200,000. By March 1959 employment was back to its previous peak. However, since the labor force is growing at the rate of about 70,000 per month, the increase in employment has not been reflected in an equivalent reduction in the number of unemployed.

Nevertheless, the reduction in unemployment has been substantial. In April 1958 unemployment reached 5.2 million. By March 1959, this was reduced to 4 million or a little less than 6 percent of the civilian working force.

Another factor which tends to make employment statistics appear inconsistent with other indicators of recovery is that usually gains in employment in the early phases of a recovery do not keep up with gains in output. The increases in employment since July 1958 have been about as rapid as the average rate of increases during recoveries from earlier post-war recessions. Why is there a lag in the employment recovery

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rate in relation to output?

Recovery from the recent recession, as in previous cases, has been characterized by a substantial improvement in the efficiency of manufacturing industries, that is by improved productivity. This improvement is very largely the product of the heavy investments in new plants and equipment during the previous boom period particularly in durable goods and industries. In part, the lag in employment recovery results from the time required to transfer labor to industries and areas where job opportunities are expanding.

I would like to complete my story on the United States economy by referring to our foreign trade. In 1958 United States foreign trade declined substantially from the 1957 peak. However, in contrast with many previous recession periods our exports declined considerably more than our imports. In 1958 our balance of international payments registered a deficit of over \$3 billion.

So far in 1959 there has been no clear sign of a revival of our export trade but during the period of recovery from the recession our imports have been increasing and have reached a level very much above the average annual figures for 1952 through 1956.

Examination of the categories of United States exports reveals that during the recession about 65 percent of the decline was in raw materials and semi-manufactures. The United States is the free world's largest exporter of raw materials, and this, as the delegates to this Commission do not have to be told, is a sector which is obviously vulnerable in a

/period of



period of recession. This is a problem which we share with Latin America. The expanding economic activity in Europe and Japan should assist in the recovery of the export trade of all of us in this hemisphere.

To summarize, the United States economy is undergoing a vigorous expansion in output, income and investment. This expansion is beginning to be reflected in the demand for labour. Exports have not yet begun to recover but imports are rising.

Thus, at the present time, despite problems that we do not ignore, the economy gives continued evidence of strength, growth and increasing efficiency.

I would like now to turn to the Economic Survey for 1958 and first of all to compliment the Secretariat for the careful research and drafting which it reflects. In what follows I shall exercise the prerogative of a delegate to comment on a few points, but I would not wish it to be interpreted as other than the belief of the United States delegation that the secretariat has, on the whole, turned out an unusually fine Survey. In keeping with the quality of the Survey was the forthrightness with which Dr. Prebisch in his extremely significant remarks at the opening of the session laid great stress on the need in Latin America for solving many basic internal problems as a pre-requisite for achieving the desired rate of economic development. My delegation would like to congratulate Dr. Prebisch for this exposition and to commend it to the careful consideration of all of us.

The main theme of the Survey is - as it should be - the subject of  
/economic growth.

economic growth. The general impression which emerges from the analysis is that some countries and some sectors of production in Latin America have had a year beset with difficulties. Against that background, there are, I believe, several reasons why Latin America can look with a reasonable degree of confidence and optimism toward the future. The first is the definite increase in economic activity which is now occurring in the industrial countries of the world. Secondly, the stabilization efforts in which a number of Latin American countries are now engaged are laying the groundwork for a resumption of growth on a sound basis in those countries. Thirdly, many of the new investment projects, both private and public, which have been either authorized or started in recent years, should come to fruition in the next year or two. Finally, there is the longer-term effect of the greater diffusion of technical skills and managerial ability in Latin America.

In considering the events of the past year, the survey properly takes account of both internal and external factors which have affected the economies of the Latin American region. My delegation is gratified to observe that the attention paid to internal factors in the present survey is perhaps more commensurate with their importance than has been the case in previous years.

Part I of the Survey contains a rather extensive discussion of recent movements in world commodity markets and their effects on the export earnings of Latin American countries. This discussion concludes, correctly, I think, that the recession of 1957-58 in the more developed countries exerted only a supplementary influence on world commodity prices and that the weakness in many commodities is attributable to deeper causes. In the view of the Survey the main factor responsible for this weakness is the longer term slowing down in the rate of expansion of this industrial countries which began several years before the last recession. It would be idle to deny, of course, that the rate of economic activity in the industrial countries has an extremely important bearing on the demand for the products of the primary-producing countries. The question is whether this particular factor should be assigned the predominating weight given to it by the Survey, or whether it is only one of a number of important influences determining the current condition of the commodity market.

The Survey itself explicitly recognizes the existence of other factors. For example, it calls attention to the high taxes levied on coffee and tobacco in important consuming countries. It also emphasizes certain internal policies pursued by producing countries which have had an adverse effect on the prices or volume of their exports. In this connection chapter I of the Survey notes that many Latin American countries have done little to divert resources from coffee to other crops,

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even though it has been evident for some years that an unmanageable surplus was appearing in the world market. "In fact", it states, "until quite recently, internal prices of coffee were held at levels that encouraged further output."

More generally, it points out: "In some cases, exports certainly could have been expanded, e.g. temperate-zone products, but policies for these commodities have...until recently, had precisely the opposite effect: prices have been set at levels that discouraged exports".

In chapter II the Survey cites further factors accounting for the recent depression in the prices of some primary commodities. For example as regards textile fibers, the Survey has this to say: "Although the decline in textile manufacturing...implied...a fall in cotton and wool prices, the volume of...exports followed different trends for each of these two commodities, rising in the case of cotton and falling to a moderate extent in that of wool. But even in the moderate decline in wool exports...restrictive influences were chiefly confined to the producer countries themselves and took the form of maladjustments between domestic and world market price levels. Only at the end of the year were these disequilibria remedied through changes in...exchange rates..."

I think that what all this adds up to is that it is necessary to pay as much attention to the supply side of the market equation as to the demand side. We can be confident that demand for most products will

/continue to

continue to expand over the years, but as a practical matter we should give greater emphasis to the fact that adjustments in supply are necessary from time to time.

Part II of this year's Survey is devoted entirely to the internal situation in Latin America. In the view of my delegation a most significant part of this analysis is that which deals with the problem of inflation. As Table IV-1 graphically shows, inflation continued at a rapid rate in many countries in Latin America in 1958, with increases in the cost of living ranging in some countries as high as 25 to 50 percent.

The Survey summarizes very succinctly the causes underlying these enormous price rises. The basic cause, in the words of the Survey, was "an excess of total demand" generated by expansionary monetary policies and by fiscal deficits. The Survey points out that the external sector acted as a contracting factor in the monetary supply. However, the financing of deficits in the public sector by the banking system more than offset this contraction.

The pernicious effects of inflation on the allocation of resources, on savings, on productive efficiency, and indirectly on the balance of payments, are by now well known and will not be repeated here. I believe the secretariat is performing a very valuable service to the member countries of the ECLA in calling attention to the crucial importance of this problem. I repeat, it is to be commended for this substantial, thoughtful report.

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May I now turn, Mr. President, to the chief topic of the current session, that regarding the proposed regional market.

The United States supports the efforts of Latin American Governments to form one or more regional markets designed to increase trade within the area and with the rest of the world, and to induce greater efficiency of production so that more goods may be made available at lower prices.

We believe that the recent discussions in the ECLA Trade Committee reveal that governments are becoming increasingly aware of the desirability of forming regional trade arrangements which shall be of benefit not only to those countries which are members of the regional marketing agreements but to non-member countries as well.

The task of formulating such arrangements is complex and difficult. We have pointed out, as have many other delegations, some of the shortcomings we see in certain of the preliminary plans which have been suggested for market integration in Latin America. Like the other delegations, we have made out comments in the spirit of participation in a common effort to advance the formulation of constructive, workable plans for this aspect of the economic development of Latin America.

We have been impressed by the spirit of the discussions in which we have just participated, by the degree of informed interest shown, and particularly by the mutual concern for the general interest of all Latin America which has prevailed. Naturally, as is entirely proper, there have also been statements of national and sub-regional interest.

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However, these statements have revealed a realization that the formation of a true, common market or markets will be no easy task; that it will demand great courage on the part of the respective governments; that it will entail real sacrifices and adjustments by individual local economic interests in every country; that governments must be willing to withstand pressures designed to avoid such sacrifices. The degree of ultimate success of any common market will, in good part, vary in direct proportion to the firmness with which governments pursue this common objective.

A good common market - one in which virtually all sellers can sell freely and without hindrance to buyers anywhere within the market and one which does not raise barriers to trade with other areas - will increase trade, attract investment, improve efficiency through competition, and reduce costs.

A market of this kind is worth sacrifice. Producers within the market will have to accept the necessity of meeting on equal terms and without protection the competition of producers in other countries within the common market. Outsiders will have to accept the fact that producers within the market have preferred access to buyers within the market.

On the other hand a partial common market in which there are major exceptions for the benefit of wide categories of preferred interests discourages competition and reduces efficiency. A common market in which duties and preferences are used to a considerable extent as a

/ mechanism of

mechanism of adjustment to rapidly changing economic conditions would subject governments to continuous pressure from producers anxious process of item-by-item negotiation and renegotiation of customs duties, quantitative controls and other regulations of trade. If this process were to be centered upon the safeguarding of particular private and local interests it would almost inevitably result in a neglect of the general multilateral interest in expanding trade.

For this reason it is important that the common market should have a clear-cut goal and that the process of reconciling private and national interests should terminate when the goal - a true common market - is reached. The sooner this goal can be reached the better. No half-way measure will do. An incomplete edifice is worse than none; it involves most of the cost and provides few of the benefits of the completed structure.

In summary, Mr. President, my delegation is pleased to report the accelerated recovery of the United States from the recent economic recession. It commends the Secretariat for the quality of the 1958 Economic Survey and it reiterates support of the United States to the creation of a realistic Latin American regional market.





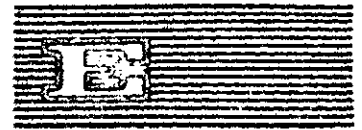
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OUT OF STOCK  
SEE SPANISH:

EXPOSICION DEL SEÑOR JUAN HAUS SOLIZ, REPRESENTANTE DE BOLIVIA,  
EN LA SESION DEL 16 DE MAYO DE 1959.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

STATEMENT BY HIS EXCELLENCY SIR IAN HENDERSON, REPRESENTATIVE  
OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND,  
ON SATURDAY, 16 MAY 1959

As I have a dual role here, being both Her Majesty's Ambassador in Panama and leader of the United Kingdom delegation to this session of the Economic Commission for Latin America, I consider that, before anything else, I should offer my warmest congratulations in the name of my Government and our gratitude to the Government of Panama for their initiative in inviting the Commission to meet in this city and for the excellently organised arrangements which have already been shown in the meeting of the Trade Committee.

As Ambassador I am of course concerned with Anglo-Panamanian relations where we have the singularly happy spectacle of two nations with no political issues between them. This enables us to concentrate on cultural and economic ties. We are happy to supply Panama with a variety of consumer and even of capital goods and we in turn, through being the second largest users of the Panama Canal, are able to contribute to Panamanian invisible exports through the expenditure of British seamen, passengers and tourists.

Gentlemen: what I have said about the United Kingdom's economic links with Panama is reflected mutatis mutandis in the history of my country's ties, I think I can say without exaggeration, with every other country represented at this meeting. As a nation which - because its very existence depends on international trade - has a long and substantial tradition of

/trade with

trade with other countries and which pioneered the European industrial revolution, we have had for a century and a half strong economic ties with the Republics of this continent. In these circumstances it is only natural that we should have today the greatest sympathy and understanding for the efforts being made to advance the economic wellbeing of Latin America. Nowhere can we learn more of the progress being made towards this objective than in the deliberations which take place under the inspiration of the Economic Commission for Latin America, with the assistance of its Secretariat under the distinguished leadership of Dr. Raul Prebisch. No one at this meeting can fail to be impressed by the objectivity, the seriousness, the fertility of ideas and concepts and the growing momentum of the Commission's work.

Mr. Chairman, the two years which have elapsed since the last Session of the Economic Commission for Latin America have been difficult ones for the primary producing countries of Latin America and of other parts of the world. We in the United Kingdom are acutely aware of the problems facing primary producers and we have shown ourselves ready to play our part in any practical measures designed to solve them.

Although the level of trade between the United Kingdom and Latin America has unfortunately fallen since 1957, it is nevertheless still running at a much higher level than in earlier years. In 1958 our imports from Latin America amounted to about £300 million, approximately 850 million dollars, almost double the value of our exports to the area, thus maintaining a very considerable balance in favour of Latin America and providing her with substantial transferable foreign exchange resources.

During these two years the United Kingdom has continued her policy of freeing trade and payments. Towards the end of last year a further substantial

de-control of dollar imports was announced and almost all import restrictions have now been lifted on raw materials and basic foodstuffs. Last December, as part of a general move in Europe, sterling was made convertible on non-resident account and we believe that this step will be of great value to the countries of Latin America.

We realise that Latin America needs credit to finance the import of capital goods which she so urgently requires to enable her to achieve a high rate of development. Her Majesty's Government have been glad to contribute to this development by guaranteeing through their Export Credits Department a sum amounting to several hundreds of millions of pounds.

Mr. Chairman, I turn now to the issue which, quite understandably, is attracting the greatest attention at this meeting; I refer, of course, to the proposal to establish a Latin American regional market. Listening to the stimulating debate of the last few days we have been struck by the way in which country after country has declared its readiness to cooperate in establishing a genuine common market and by the appreciation by all delegates of the dynamic nature of the proposals. During the meetings of the Trade Committee its distinguished Chairman, Senhor Garrido Torres, more than once referred to "the meeting of mind" to describe the process of finding the best possible solution for problems which may be difficult to solve because conflicting interests may be involved. As has been rightly said, the common market must emerge from a policy rather than a formula. There may be various roads along which to advance and Latin America will choose that which most suits her. But we feel sure that all members of the Commission will agree as to the ultimate objective. This objective must be the achievement of a full

/free trade

free trade area of customs union in which the widest flow of trade will be promoted - both within the region and with the rest of the world.

The speed of future advance will naturally depend to a considerable extent on the payments arrangements to be established. These arrangements are, of course, primarily a matter for the Latin American countries themselves to decide. But I feel obliged to say that, in our view, the proposals contained in the Draft Protocol produced at Rio de Janeiro last December are unlikely to have the effects hoped for. We believe that, if it were decided on sound technical grounds to set up a regional payments system, it would be appropriate - and certainly in line with present world trends - to provide for settlements to be made on an automatic basis. This belief is not based on a doctrinaire approach, but reflects the United Kingdom's own experience in Europe in the field of international payments. We are concerned that there should be no set-back to the continuance of genuine progress towards multilateralism in Latin America.

These are only some aspects of the work with which this Session has yet to get to grips. The agenda is a very full one but I am convinced that when we have completed our work the foundations will have been laid for an advance which may bring striking benefits to the economy of Latin America and will certainly be the object of universal respect in the remainder of the world.

Thank you, Mr. Chairman.



NACIONES UNIDAS

CONSEJO  
ECONOMICO  
Y SOCIAL



(E/CN.12/VIII) DI. 20

OUT OF STOCK  
SEE SPANISH:

EXPOSICION DEL S R. JORGE FRANCO HOLGUIN, REPRESENTANTE DE  
COLOMBIA, EN LA SESION DEL 16 DE MAYO DE 1959.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

STATEMENT BY HIS EXCELLENCY PAUL A. M. VAN PHILIPS, REPRESENTATIVE  
OF THE NETHERLANDS, ON SEPTEMBER 16 MAY 1959

First of all, I wish to congratulate you on behalf of my delegation most sincerely upon your election to this high office.

We are fortunate that our debates take place under your wise leadership.

Our congratulations also go to the distinguished delegates of Mexico, Peru and Chile upon their election respectively to first and second vice-president and rapporteur.

It is a great pleasure for me, as the leader of the Netherlands delegation, to say a few words to you to-day at this eighth session of the Economic Commission for Latin America.

Judging from the provisional agenda, this session promises to become a very important one indeed. The importance we give to this session may be seen from the number of delegates the Government of the Kingdom of the Netherlands has seen fit to send to this session.

I think it will be a good thing to remind you, that since the signing of the Statute for the Kingdom on December 15th, 1954, the Kingdom of the Netherlands, which we refer to as the "Kingdom New Style", is composed of three equal partners, to wit: the Netherlands, Surinam and the Netherlands Antilles. Each of these parts of the Kingdom is autonomous and has a Government of its own. In this session of the Economic

/Commission for



Commission for Latin America we act jointly, since foreign affairs are concerned. So in addressing you here, I do so not only for my own country, Surinam, but also on behalf of the Netherlands and the Netherlands Antilles.

As two of the three partners of the Kingdom are located here in America and their population rightfully consider themselves as children of one and the same "Madre America", to whom almost everybody in this meeting belongs, we want to learn and to be better known among you. We too are American, altering slightly the famous line of Langston Hughes. Just as Panama was discovered by Balboa, Surinam was discovered by his contemporary Alfonso de Ojeda. As regards the Netherlands Antilles, they have old and close ties with Latin America, apart from having contributed much to the common struggle for independence, especially on behalf of those countries which formerly constituted Gran Colombia.

If the Netherlands rightfully has to be considered as the foster father of the Netherlands Antilles and Surinam, the peoples of Latin America must be seen as our legitimate brothers. It is therefore appropriate to offer ourselves as a bridgehead between Europe and Latin America and we mean this not only in a material or commercial sense, but also in a spiritual one. In other words, you may be sure of our true friendship and solidarity.

I believe that the noble work upon which we are about to embark, under the auspices of the United Nations, is very important and therefore deserves the full support of all of us, since we are anxious to accelerate economic development in Latin America. After all, we want a better world in which there is no longer poverty amidst plenty,

/and in

and in this respect let us set the example.

The importance of the work ahead is clear from the many documents which were sent to us by the Secretariat of the Commission. I wish to thank the Executive Secretary and his Staff for the many interesting and thorough studies which they have presented to us, studies which cover a host of very interesting problems, and which are very instructive. It is a pity that these studies did not reach us earlier. The information that could have been derived from studying these documents at ease, could not yet be digested completely.

As to their contents, there will be plenty opportunity to enlarge upon them in due time. For the time being, however, I shall make only a few general remarks. I have noted with pleasure the successful collaboration between the E.C.L.A. and the F.A.O., and in this respect I am very happy that the request of the Surinam Government for an investigation of the possibilities and the prospects of the establishment of a pulp and paper industry in Surinam has been complied with. The United Nations investigation group for the pulp and paper industry will arrive in Surinam before the end of the month.

The programme for the years to come is a large one and envisages important investigations such as those on economic integration, inflation, marketing and budget management. It will be necessary to plan in advance a clear order of priority.

I wish to congratulate the Secretariat especially on the documents presented under the item "Current Economic Trends and Prospects". The "Economic Survey of Latin America 1958" is a brilliant piece of work. Yet it would seem useful to devote even more attention to future national

/and international

and international economic developments, instead of looking only at the past and the present.

The Latin American countries have sometimes been referred to as "reflex" or "export" economies, in which the economic process is to a large extent dependent upon the economic processes in the highly industrialized countries in the centre of world production, the Latin American economies being affected largely through the fluctuations of world market prices of the raw materials they produce. It is therefore most important to look for ways and means to stabilize these prices. More advanced and highly industrialized countries can and must contribute to this stabilization by maintaining in their economies high and stable levels of production and employment, thus favouring the economic development of the primary producing countries of Latin America.

On behalf of the Kingdom of the Netherlands and in particular on behalf of the Governments of Surinam and the Netherlands Antilles, I wish to express our appreciation and recognition for the technical assistance rendered to us in the eradication of malaria and yellow fever and in other projects. At the same time the Netherlands looks with pride upon its contribution to the United Nations technical assistance programme. In 1958 348 experts were sent from Holland, of which 59 to Latin American countries, while 32 trainees from Latin American countries arrived in the Netherlands in that year. May I refer those who are interested in this subject, to the pamphlet "Facilities for training in the Netherlands", which is available at the Secretariat of this Conference. You will find there also several other publications about  
/our Kingdom.

our Kingdom.

I shall now make some brief comments on the current economic situation of Latin America, which we have been asked to discuss during this general debate. Part I of the "Economic Survey of Latin America" analyses the foreign exchange problem of the area. It is shown that for the years 1957 and 1958 the balance of payments deficits were \$ 154 million and \$1.914 million respectively. It is quite possible that if Latin American imports are maintained in 1959 at the level of 1958, an even greater deficit will result. Therefore, as the survey stresses, an influx of foreign capital, either as investments or as loans, is becoming more and more essential. In itself this situation should not cause alarm for the further rapid economic development of the area. In former times the United States had similar large deficits, which were met from foreign, mostly European, sources. However, there is one special factor which differs in Latin America from 19th century conditions in Europe or the United States, and that is the population factor. The net rate of increase from 1950 to 1956 was 2.5 per cent and according to the United Nations Seminar on population, held in Rio de Janeiro in December 1956, the average population increase for the period 1950 to 1960 is estimated at close to 3 per cent. This rate of population increase is not exceeded anywhere else, not even in Asia. Now, Sir, a United Nations group of experts calculated that for each person employed in the non-agricultural sector, an investment of not less than \$2 500 is required. Other experts estimated, that to keep Latin American standards of living at their present level, a ratio of about 1 to 4 should exist between population increase and investment. In other words, if the

/population increase

population increase is 3% a year, annual investments of at least 12% of the national income will be necessary. This once more demonstrates Latin America's urgent need for capital, a need so often emphasized by the ECLA Secretariat in its studies. It means, that a favourable climate for investments, whether domestic or foreign, is of great importance.

Possibly this question of Latin America's capital requirements could be thoroughly studied by the Secretariat against the background of the population increase and other relevant factors.

The capital needs of Latin America will have to be met both through private and public channels. On the question of public investment may I be allowed to recall, that for many years the Netherlands Government has stressed the necessity of establishing a United Nations fund for the financing of the so-called economic and social infra-structure of the less developed countries. A first step towards the creation of the Special United Nations Fund for Economic Development, usually abbreviated SUNFED, was made when the General Assembly at its 12th session decided to set up the United Nations Special Fund. The Special Fund has started operations on January 1st of this year. While of a limited character, it is bound to make an important contribution to the economic development of the less developed countries.

The importance attributed by the Netherlands Government to this new fund can be seen from the sizable contribution of \$ 2.4 million pledged for the year 1959. Apart from the Special Fund multilateral assistance will continue to be given through the Expanded Programme of Technical Assistance, to which the Netherlands has been giving important financial contributions from its very start.

/Mr. President,

I already touched upon the problem of fluctuating raw

materials prices. These fluctuations make it quite difficult to establish development plans, since these plans are usually based at least in part on foreign exchange earnings to be used for essential imports. Only with a reasonable degree of stability of commodity prices, can the level of foreign exchange earnings be estimated and development plans made.

Fortunately efforts towards commodity price stabilization are being undertaken on an increasing scale. The newly constituted United Nations Commission for International Commodity Trade has, at its last session, established a work programme. The international agreements for tin, wheat and sugar are exercising a beneficial influence. My delegation favours the realization of similar agreements for other products.

I should like to make an additional observation on the consequences of short term increases in raw material prices. On the first sight it is only logical that the so-called primary producing countries are very happy if such prices are high. However, such high prices inevitably mean, that the prices for industrial products, made from these raw materials in the more developed countries, will rise. This means, that after some time the countries exporting raw materials are confronted with more expensive products imported from the highly industrialized countries. Hence, a deterioration of the terms of trade in the less developed countries.

There is another even farther-going consequence of these high prices. Increased prices for consumer goods in the industrialized countries affect the general cost of living and normally lead to requests for higher wages. The strong position of trade unions and considerations of social justice

/usually lead

usually lead to granting such requests for higher wages. Now, Sir, it is a well known phenomenon of recent years that the wage level is moving up from time to time, but that it almost never goes down. This so-called "downward stickiness of wages" means that as and when prices of raw materials decrease, this does not result in lower wages, just because consumer goods have gone down somewhat in price. This is one of the principal explanations why lower commodity prices are not even to a very limited extent accompanied by lower prices for industrial products.

In many cases the short-term advantages of higher income from increased raw materials prices is first neutralized by higher prices of imported industrial products and then can be transformed in a long-term disadvantage of a higher price level of such industrial products. It is for this reason, that we believe that international agreements for the stabilization of raw materials prices would be of great importance for all countries, both the producers and the consumers of raw materials.

As regards the part of the Kingdom located on this continent, the following may be mentioned.

The economic development of Surinam is in full swing. A carefully drawn up Ten-Year Plan, for which a total amount of about \$ 65,000,000 has been authorized, has already been implemented during four years. The aim to increase the national income is being attained. However, at the same time the population is increasing at a rate of more than 3.5 per cent each year. Therefore industrialization has become very urgent for this mainly agricultural country.

Although more attention than ever is paid to the development of forestry and

forestry and to the investigation of the natural resources of Surinam, up to now mainly Bauxite, the biggest project in construction at this moment is a hydro-electric work in the centre of the country, the estimated cost of which is \$ 60.000 000. This is the basis of a multi-purpose project. Its realisation not only will enable us to export aluminum as a finished product, but also will furnish enough energy to make possible the establishment of many other industries. This joint venture of the Government and a private American enterprise, involving a total investment of over \$ 200 million, will also influence the agricultural sector favourably by providing new facilities for irrigation. We will even make possible a better supply of much needed animal proteins, because it will be possible to breed fish in the artificial lakes being made for the hydro-electrical work. In a country with a small population like Surinam, such a multi-purpose project is of utmost importance.

The Netherlands Antilles has also embarked upon co-ordinated economic planning to reach a greater diversification of its economy.

Finally, Mr. Chairman, my delegation shares the views of the previous distinguished delegates who have expressed their gratitude to the Government and people of Panama, which are acting in such a magnificent way as host to this session of our Commission. During the past years the Economic Commission for Latin America has built up a solid record of achievements of great importance to the countries in the area. I should like to pay tribute to Dr. Raúl Prebisch, Executive Secretary of the Commission, without whose extraordinary abilities these achievements would not have been possible. Assisted by his able staff,

/Dr. Prebisch



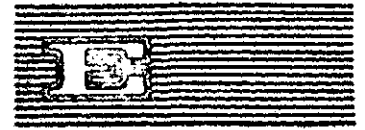
Dr. Prebisch has made the Secretariat an instrument, which by a combination of intelligence and hard work is producing such excellent results.

I feel obliged to apologize for my lack of sufficient knowledge of the beautiful Spanish language. However, with your permission, I shall make an attempt to close my speech in your language.

Señor Presidente, Distinguidos delegados,

Con lo que acabo de decir sólo quise acentuar unos cuantos puntos que han de ser de importancia primordial para nosotros.

Que nos sean otorgados en abundancia y sin economía alguna la sabiduría y la comprensión necesaria, a fin de que esta reunión no solamente resulte ser un éxito en el terreno económico, sino que además logre a proporcionarnos mejor entendimiento mutuo para los problemas de cada país, y que nos conduzca hacia mayor cooperación entre nuestros países.



NACIONES UNIDAS

CONSEJO  
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Y SOCIAL



(E/CN.12/VIII) DI. 22, 23

OUT STOCK  
SEE SPANISH:

EXPOSICION DEL SR. ADUARDO RODRIGUEZ GENIS, REPRESENTANTE DE  
GUATEMALA, EN LA SESION DEL 16 DE MAYO DE 1959.

EXPOSICION DEL SR. B. G. EPINAT, REPRESENTANTE DEL COMITE  
INTERGUBERNAMENTAL PARA LAS MIGRACIONES EUROPEAS, EN LA SESION  
DEL 16 DE MAYO DE 1959.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth session

Panama City, Panama, 14 May 1959

STATEMENT MADE BY MR. JORGE DEL CANTO, REPRESENTATIVE OF THE  
INTERNATIONAL MONETARY FUND, AT THE MEETING HELD ON  
FRIDAY, 15 MAY 1959

May I begin this statement by expressing the deep satisfaction with which we participate in this eighth period of sessions as observers from the International Monetary Fund. The fact that we have participated in these meetings since their beginning is an evident proof of the interest of the Fund in the studies prepared by ECLA, of the attention with which our technical staff read them, and of the earnest desire to listen to the discussions and analyses of those studies at each meeting.

We have already spoken at the meetings of the Trade Committee, where our point of view was expressed on regional market and payments matters, with special reference to the tendencies all over the world towards convertibility, the reduction of discriminations, and the liberalization of trade. In making these observations, we underlined the contribution of Latin America in this movement towards convertibility, and we also expressed our hope that the forms of regional co-operation sought would not run counter to these world trends towards the reduction of restrictions and discrimination and the consequent expansion of the total volume of trade. These comments at the Plenary Meeting of ECLA will be of a more general character. We should first like to make some comments on the Economic survey for 1958, and then to refer to the activities of the Fund and report briefly on the recent decision to increase its financial resources.

/No doubt

No doubt the economic, social and financial problems of Latin America are of such magnitude that they require deep insight and careful analysis, but it is also true that to state these problems with precision and clarity is the first step in seeking the most adequate solutions. The Economic survey for 1958 is a valuable example of the ability of ECLA - under the brilliant leadership of Mr. Prebisch - to analyse such problems, and it shows the gravity and significance of the problems confronting the countries of the region.

The study referred to shows us in the first place that prices for Latin America's principal export commodities continued to decline in 1958; that this price decline resulted in lower imports of essential products into the Latin American countries; that some of these countries needed to obtain special financial aid in order to maintain such essential imports at levels which might be limited, but not to such an extent as to impose major sacrifices on these countries.

The study shows also that the decline in prices for Latin America's export commodities began four years ago, and that its cause seems to lie in the weakening of demand for raw materials in the industrial countries. As excess production capacity in some activities appeared in the United States and Europe, demand for Latin American products contracted. The ECLA report also shows that other factors have contributed to the decline in the prices of these primary commodities. Coffee production, for example, has expanded in such a way that surpluses of exceptional magnitude have been accumulated, and the problem of excess production is giving rise to justifiable concern in all the coffee-producing countries. ECLA points out that unfortunately coffee production continued to be stimulated, and that no efforts were made to reallocate resources

/to other

to other crops, although it had already been evident since 1954 that production was expanding in excess of demand. Coffee prices were maintained artificially at a high level, thus encouraging greater production. On the other hand, according to ECIA, prices of other agricultural commodities were in some cases kept at so low a level, for the benefit of domestic consumers, that production of these items declined. In other cases, like that of cotton or metals, prices fell as a result of increased competition from other areas.

Market forces, ECIA indicates, have worked in different directions in the industrial countries and in Latin America. While in industrial countries reduced demand for manufactures and machinery was accompanied by a decrease in production without much change in prices, in the Latin American countries production could not be adjusted quickly to changes in demand. The combination of these two factors was reflected in a deterioration of the terms of trade for Latin America.

Some countries of Latin America partially offset their lower export earnings with receipts from foreign credits and investment. However, the volume of foreign investment in Latin America in 1958 was lower than in the preceding years, probably as a result of the recession in the United States.

In the internal field, ECIA points out that encouragement has sometimes been given to industries that in order to survive have required a large volume of imports. Nevertheless, in many Latin American countries few efforts have been made to find incentives to import substitution. In many cases agriculture has been neglected, with the result that countries have had to import products which could have been produced locally. In the financial field, as ECIA emphatically and very rightly stresses, financing of budget deficits on the basis of new /issues created

issues created in many countries an additional demand for imports, giving fresh impetus to the general rise in prices. Wage and salary increases, adds ECLA, generally granted by decree, only aggravated inflation, without bringing any real relief to the wage- and salary-earners.

In some Latin American countries, ECLA remarks, an attempt was made to solve the problem of shortage of foreign exchange by raising its price, that is, by means of a devaluation of the national currency. This occurred particularly when it was realized that import restrictions were not sufficient to solve the payments problem. In some cases, according to ECLA, considerable increases in prices took place, first in respect of imports, and later for all other goods, including domestically manufactured products. The price stabilization policies which were then attempted, ECLA adds, were very difficult to carry out. The interdependence of internal and external equilibrium in some cases served only to aggravate the inflationary process. ECLA mentions that it was necessary to have recourse to immediate foreign financial assistance and that only with the aid of credits from the International Monetary Fund was further deterioration of the situation avoided.

In making this reference to the Fund, the Economic Survey (pp. 124-129) states that "in 1950, the Fund reduced its credits considerably", and adds: "It is equally essential for official international monetary co-operation to be strengthened, so that any severe maladjustments in the world economy may be remedied, and temporary balance-of-payments disequilibria rectified more effectively and with greater determination."

I should like, if I may, to comment in greater detail upon the activities of the Fund. It is true that, as ECLA points out, the operations of the Fund as a whole, with all its members, in terms of new drawings or stand-by credits, /have declined

have declined in comparison with repurchases. In the fiscal year ending on 30 April last, repurchases totalled 573 million dollars, while new currency purchases amounted to only 258 million. In the two previous calendar years, purchases of member-country currencies had reached record levels of 579 million dollars in 1956 and 913 million in 1957, whereas repurchases in those years had amounted to only 113 million dollars and 64 million, respectively. The larger volume of repurchases in 1958 reflects the improvement in the reserve position of the industrial countries and underlines the nature of the Fund as a revolving fund to cover member countries' temporary balance-of-payments difficulties with medium-term credits.

What is now the situation with respect to Latin America? Total drawings in the fiscal year 1958-59 amounted to 148 million dollars, as compared with 133 million dollars in 1957-58 and 110 million dollars in 1956-57. However, these figures do not reflect the total activity of the Fund. Of greater importance are the stand-by operations, which rose from 55 million dollars in 1956-57 and 55 million in 1957-58 to 169 million in 1958-59. In addition, in a large number of cases, on the basis of the stabilization programme agreed to between the member country and the Fund, other United States financial institutions and commercial banks have been attracted, so that the effectiveness of the Fund's aid has been indirectly increased. Although naturally the credit of this additional financing belongs directly to these institutions, one cannot ignore the fact that without the drafting of a stabilization plan on a technical basis, in co-operation between the member country and the Fund, that participation would probably not have been possible on the scale actually obtained.

In the twelve years which have passed since the Fund began its operations (between the spring of 1947 and April 30, 1959), Fund transactions in the form /of drawings

of drawings and stand-by arrangements still outstanding have reached a total of 4.4 billion dollars. Of the total amount of drawings against that sum - 3.3 billion - no less than 1.5 billion dollars have been repaid, and that is as it should be, since the International Monetary Fund is, in effect, a "Revolving Fund". The policy was adopted in 1952 that currencies acquired by members through transactions with the Fund should be repaid within three years, with an outside limit of five years. This has in fact been done. Indeed, with only a few small exceptions, all transactions prior to 1955 have been fully repaid.

As to Fund operations with Latin America, I would like to mention the following figures, which show why membership of the Fund has been a sound proposition for Latin America. The aggregate of the Latin American countries' quotas in the Fund is 673 million dollars. To this total the Latin American countries have subscribed only 16 million dollars in gold and the balance in their own local currencies; with this disbursement of 16 million dollars in gold, Latin America has benefited by drawings of 656 million dollars in the period 1947-April 1959 and has available lines of stabilization credits or "stand-bys" for 169 million. Of the total drawings of 656 million dollars, 296.0 million dollars have been repurchased, insuring the revolving nature of the Fund's operations.

At present, as of 30 April 1959, the Fund has available 1.6 billion dollars in gold; United States and Canadian dollars amounting to approximately 1.2 billion; sterling equivalent to 1.4 billion and German marks for the equivalent of 183 million dollars. However, it has commitments in stand-by arrangements of about 1.1 billion dollars that can be drawn.

/The Fund's



The Fund's experience during its twelve years of operations highlights the fact that its aid is essentially of a short-term character, and should be considered by the recipient countries as a temporary addition to their reserves, which would permit them to adopt and achieve, within a limited time, a constructive programme to restore stability and equilibrium in their respective economies. The time thus obtained is really "borrowed time", of which the best possible use should be made. The member countries appear to be well informed about these matters, and seem anxious to maintain close contact with the Fund with respect to the measures which they might wish to introduce and the principal lines of conduct which they hope to follow. Indeed, it has become the practice in the Fund that in all cases requiring substantial aid, the country's proposed measures of financial policy aimed at the rehabilitation of their payments position are stated in the attachment to a stand-by arrangement.

The cases in which aid has been granted by the Fund may be classified into four main groups.

In the first place, there are the emergency needs like those which suddenly arose in 1956 in connexion with the Suez crisis. The most typical example of this kind of assistance was that granted to the United Kingdom in December 1956, when 561 million dollars were provided in the form of a drawing and 739 million dollars as a stand-by (none of which has been drawn upon). The stand-by was renewed in December 1957 and again in December 1958.

The countries in the second group are those which have experienced an increasing strain in the current account of their balance of payments, very often as a result of heavy expenditure on consumption and investment. Thus,

/assistance has

assistance has been granted to Denmark, France, India, Japan, the Netherlands, Turkey, Israel and South Africa. This type of aid has been extended in Latin America to Argentina, for 75 million dollars in 1957, and to Brazil, for 37.5 million dollars in 1957 and 54.6 million in 1958.

Assistance in the third group is provided to meet temporary exchange difficulties caused, for instance, by seasonal balance-of-payments deficits. Such assistance has recently been received in Latin America by Cuba, Nicaragua, Ecuador and El Salvador. These countries are largely dependent on one major export crop, and in such cases special needs may arise in the part of the year preceding the sale of the export crop. In such cases of seasonal assistance, arrangements have usually been made for repayments to the Fund as soon as the inflow of export proceeds has again strengthened the exchange position, i.e., usually within a period of six to twelve months. Although the sums involved in these transactions have generally been smaller than those in other groups, they have been substantial in relation to the quotas of the members concerned; and they do illustrate the capacity of the Fund to adapt its procedures to meet the widely varying requirements of its members.

Assistance in the fourth group has been granted for the definite purpose of backing stabilization programmes, as in Chile, Colombia, Bolivia, Paraguay, Peru, Nicaragua and Honduras. The two most recent instances are constituted by Argentina in December 1958 and Mexico in March 1959. There are of course marked differences between the programmes initiated by the two countries and the conditions existing in these countries.

One of the main reasons for adopting the stabilization programmes has been that these countries wanted to get rid of the complex systems of

multiple exchange practices which they had previously applied. To extricate themselves from these systems, they have adopted as a temporary measure a fluctuating exchange rate at which all or the bulk of their foreign transactions are settled. It is sometimes feared that the adoption of a fluctuating exchange rate may be a way for a country to avoid taking the proper internal measures which are needed to restore internal and external balance to its economy. It should, therefore, be explained that in the case of the above-mentioned countries, far-reaching measures of fiscal and monetary reform have formed an important and integral part of the programmes adopted. In all these cases I think it would be fair to recognize here the courage and conviction of the political and financial authorities in carrying out these programmes which often require austerity and sacrifice on the part of the Latin American peoples.

It has been an interesting feature of the financial arrangements with these countries that the financial assistance granted by the International Monetary Fund has been combined with credits from such other sources as the United States Treasury, the Export-Import Bank or commercial banks in the United States. All the countries included in this group, to which allusion has already been made, have benefited from this type of arrangement which the Fund has introduced. A recent example of this type of arrangement is the stand-by accorded to Argentina by the Fund in December 1958. On that date, Argentina presented a courageous programme to the Fund which included a series of essentially fiscal and credit measures aimed at the rapid solution of its long-standing inflation and payments problems. Part of the programme -- which was elaborated by the Argentine authorities

/themselves with

themselves with the aid of technical assistance from the Fund - was a dramatic exchange reform by which foreign exchange control was abolished and a realistic unitary rate established. In order to support this programme, the Fund granted a stand-by credit for 75 million dollars. The United States Treasury contributed a stabilization credit of 50 million dollars and balance-of-payments credits totalling 103.5 million dollars were granted by the Special Development Loan Fund, the Export-Import Bank and United States commercial banks. In addition, Argentina obtained a development loan for 100 million dollars from the Export-Import Bank.

Another example of very recent date (March of this year), is the granting by the Fund of a stand-by credit of 90 million dollars to Mexico. The economic and financial position of Mexico is fundamentally sound. However, in order to solve what was a psychological rather than a serious financial problem, Mexico adopted a fiscal and credit programme - to which the delegation of Mexico referred - which was reinforced by substantial external financial aid. This credit from the Fund and the measures taken, together with Mexico's own reserves of around 350 million dollars and the availability of a 75-million-dollar credit from the United States Treasury, have had the immediate effect of changing the capital outflow from Mexico into an inflow, which is very heartening, for Mexico normally suffers a seasonal loss of reserves at this time of year. Parallel with these agreements, the Export-Import Bank announced on the same date a line of development credit to Mexico for 100 million dollars.

Finally, the new administration of the Republic of Chile has recently finished negotiations with the Fund, with other agencies and with private

/banks in

banks in New York, with a view to obtaining a large group of credits to strengthen the Government's proposed stabilization measures. I understand that the delegation of Chile intends to refer to this matter, and the Chilean Minister of Finance will go to Washington, D.C. next week to ratify and publicly announce these financial agreements.

These parallel financial arrangements have various objectives. One of these is to try to inspire confidence in these programmes, not only in the Fund but also in other financial institutions, be they national or international, public or private. The private banks, for example, participate on a large scale when they see that the financial authorities of a country have come to an agreement with the Fund -- at an exclusively technical level -- on a sound programme to stabilize the finances of the country.

The Fund never attempts to replace the system of private international bank credits, but collaborates in order to establish conditions under which the commercial banks can act with more confidence in these operations. There are many situations -- as has been seen in the recently initiated stabilization programmes in Latin America -- in which the commercial banks would not have been able to play an active role if they had operated alone. It would be impossible -- for many reasons -- for the commercial banks to negotiate a stabilization agreement. In addition -- and I do not believe it necessary to quote concrete cases -- the risks which an operation of this type would involve to the deposits of the public in these banks if the stabilization credit was of a significant size.

I repeat, experience has shown that it is easier for the Fund than for any other financial agency to discuss and collaborate with the financial authorities of a country with respect to the problems to be solved, the /policies to

policies to be followed, etc. All the discussions take place in confidence. It is for this very understandable reason that we have noticed little reference to this form of international collaboration in ECLA's studies, for it naturally goes farther afield than the financial aid that is reflected in the accounts of the operations of the Fund.

Another reason why the participation of other agencies has been required is related to the limitation which currently exists in the size of the quotas of the member countries of the Fund. This is not a new problem for the Fund. The Fund welcomed and furthered the wish of the Latin American countries to have larger quotas, as was expressed in the conference of Ministers of Finance from the American Republics that took place at Rio de Janeiro in November 1954 and which it was my good fortune to attend. In 1955 the Fund agreed to adjust the small quotas, and a large number of Latin American countries took advantage of this opportunity.

More recently, at the last Annual Meeting of the Fund Governors, which was held at New Delhi, India, in October 1958, it was agreed that the present resources of the Fund were not sufficient to play the role of a second line of reserve for central banks and thus be ready to help to cover any emergency. It was suggested on that occasion that Fund quotas should be increased by 50 per cent.

The Fund acted rapidly upon this suggestion, and before the end of the year studies were made and the Board of Directors recommended a 50-per-cent increase in the quotas, with the possibility of making larger increases in some cases, including, in Latin America, Mexico, Cuba, Venezuela, Brazil and Argentina. These proposals have been accepted by the Governors of the Fund, and a large number of countries -- including the United States, the common  
/market countries

market countries and several of the Latin American Republics - have introduced legislation to make the increase in quotas effective. If all the countries concur, the resources of the Fund would increase by 5.8 billion dollars, including 1.4 billion in gold.

We believe that when the increase has become effective, probably by next September, the Fund will be in the position to intensify even more its support of the effort which countries make with a view to complying with the objectives defined in the Articles of Agreement of the Fund, which state that the Fund was created "to facilitate the expansion and balanced growth of international trade, the promotion and maintenance of high levels of employment and real income, the development of productive resources, the promotion of exchange stability, the maintenance of orderly exchange arrangements, the avoidance of competitive exchange depreciation, the establishment of a multilateral system of payments and the elimination of foreign exchange restrictions".

I understand that in citing these objectives before Latin American public officials who are confronted with hard tasks, I may appear as an idealist. Nevertheless, I believe that in meetings at so high a level as these it is pertinent to remember these principles to which Latin America declared its adherence at Bretton Woods. What has happened in Europe is a good example. Europe was devastated fifteen years ago; now it has recovered and surpassed its pre-war levels of production and income. Convertibility has been achieved. It is true that Europe has received substantial aid and that now it benefits from an improvement in its terms of trade. Nevertheless, we should not ignore the fundamental fact that the economic and financial policy of the European countries has always been inspired by objectives of the Fund. We do not believe that those objectives - as stated in the Articles of Agreement -  
/which have

which have already largely been achieved in Europe, go counter to the legitimate objectives of growth and social progress which the Latin American Governments are striving for. This is the way the Fund understands it; and in its daily work the Fund has no other objective than that of serving its members.





VACIONES UNIDAS

CONSEJO  
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Y SOCIAL



(E/CN.12/VIII) DI. 25.

OUT OF STOCK  
SEE SPANISH:

EXPOSICION DEL SR. OSCAR GINEBRA HERRIQUEZ, REPRESENTANTE DE LA  
REPUBLICA DOMINICANA; EN LA SESION DEL 16 DE MAYO DE 1959.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

STATEMENT BY THE REPRESENTATIVE OF THE DIRECTOR-GENERAL OF THE  
INTERNATIONAL ATOMIC ENERGY AGENCY, ON SATURDAY, 16 May 1959

On behalf of the Director-General of the International Atomic Energy Agency, I would like first of all to express our deep appreciation for making it possible for the Agency's representative to attend and address the eighth session of the Economic Commission for Latin America.

Latin American countries took an active part in the establishment of the International Atomic Energy Agency and showed a deep interest in the possibilities of peaceful use of atomic energy for accelerating their economic and social progress. It is worthwhile to mention here that the

International Conference which was held at United Nations Headquarters in September, 1956 and which approved the Statute of the Agency, was presided over by a distinguished representative of Brazil. Three countries from

Latin America, namely, Argentina, Brazil and Peru, took an active part in and contributed greatly to the work of the Preparatory Commission of the Agency. At the present time four countries from Latin America are represented on the Agency's Board of Governors, and Dr. Carlos Bernardes of Brazil is the Board's present Chairman.

The International Atomic Energy Agency is a new member of the United Nations family. It was brought into being for the purpose of encouraging and broadening the contribution of atomic energy to peace, health and prosperity throughout the world. In terms of its fundamental objectives the

/Agency's activities

Agency's activities as a whole are directed to the harmonious economic and social developments of its members. This is one of the reasons why it is so essential that close contacts be established and constantly maintained between the Agency and Regional Economic Commissions of the United Nations.

I would like now to call your attention to some of the current activities of the Agency which may be of interest to the members of the Commission. Let me begin with the supply of fissionable materials and equipment and the development of nuclear power.

After a delay which perhaps is to be expected with a newly created organization, the Agency is now in a position to give effect to one of the major purposes for which it was originally conceived: namely, to assist Member Governments in obtaining the special fissionable material for projects atomic energy which they may wish to undertake. This has been achieved by the conclusion of three agreements between the Agency and the United Kingdom, the USSR and the United States, under which the three countries have agreed to supply nuclear materials to the Agency, in accordance with certain conditions specified in the agreements. Through these arrangements, a total of 5.140 kilograms of contained uranium-235 has been made available to the Agency, under the following pricing formulas: The United Kingdom material will be supplied at prices and on conditions not less favourable than those extended to other external customers; the Soviet price is based on a scale of charges corresponding to the lowest international prices in force at the time of delivery, and the United States charges for Uranium 235 will be based upon those applicable to domestic distribution of such materials in the United States.

A number of other Member States have offered to the Agency natural uranium and other source materials. For example, the Government of the Union of South Africa has recently informed the Director-General that it is prepared to sell to the Agency uranium-oxide at a price of \$8 per lb. Similar offers were received from Belgium and Canada and other countries. With this support, the Agency can now proceed to fulfil its main statutory function to act as an intermediary for supplying of fissionable materials by one member of the Agency for another.

Without necessary research equipment, of course, to supply the fissionable material of itself, would serve little purpose. I am pleased, therefore, to be able to report that the Agency is prepared to assist Member States in obtaining such equipment. With that in mind, it has compiled data on where such equipment can be obtained from various suppliers. In parenthesis, I should add that for countries facing difficulty in obtaining the necessary foreign exchange to purchase equipment, the Agency is taking steps to establish a coupon system similar to that of UNESCO.

Of course, the full utilization of the Agency's supply services will necessarily depend upon the development of the demand for nuclear power. A few countries, as you know, are already using atomic energy to produce electric power and there can be little doubt that, as the world's demand increases, many nations will turn to this revolutionary source of energy for their power requirements. Obviously, its suitability and economic competitiveness will vary considerably, depending upon local conditions and future technological developments in the reactor field. We may therefore anticipate that the

/Agency's assistance

Agency's assistance to its members in the realm of nuclear power may eventually become one of the most extensive of its activities.

Even before the power utilization stage is reached, however, Member States may look to the Agency's reactor programmes as a means of acquiring knowledge of the operation of reactors and facilities for specialized training. It is for this reason that the IAEA's initial programming has provided for the collection, evaluation and dissemination of information on developments in reactor and other nuclear equipment. Much information has been collected by the Agency on power reactors, those in actual operation as well as in the process of construction; and publication of the first volume of a directory on design, costs and characteristics of such reactors is planned by the Agency for early summer of this year. Future volumes will deal with research, experimental and test reactors, including the most advanced types. In addition - and this is a point which may not be so generally known - the Agency can furnish preliminary advice on reactor programmes and projects contemplated by Member States.

Of particular interest to the Commission is a Resolution which the General Conference adopted last October on assistance to less-developed countries.

That resolution recommended that early consideration be given to the initiation of a survey of the needs of the less-developed countries, with their consent, in the matter of nuclear power generation plants suitable for their specific circumstances; that measures be taken for a continuing study

of the technology and economics of small and medium scale nuclear power reactors most appropriate for the development of less-developed countries; and that the information so obtained be distributed to Member Governments. To implement this resolution, several steps are being taken. The first is to locate places which appear to offer good prospects for installing nuclear plants in the coming years. These must be places where there would be an urgent need for power, and where conventional power costs would high, principally because of the cost of fuel transportation.

A second phase of work now being conducted by the Agency in this direction is the continuing scrutiny of technological developments in small and medium power reactors which will meet the economic requirements of the under-developed countries.

In that connexion, the Agency is planning to hold a conference in autumn of 1960 to deal with the technical feasibility of small and medium power reactors and their economics, as well as the application of such reactors to specific conditions in the less-developed countries.

We realize, of course, that the problem of developing nuclear energy in any one country is but part of the general problem of energy development and that this, in turn, is but part of the larger and complex problem of economic and social development.

It is therefore essential that we rely heavily on general economic considerations in recommending these first sites for the installation of

nuclear power; our eagerness to promote world wide utilization of nuclear energy cannot disregard these economic essentials.

The first thing that must be done, therefore, is to select and find typical situations which seem to be worth investigating. It is here that the Regional Economic Commissions can be of great assistance. We will heartily welcome all information and advice which can be given to us by the Secretariat of your Commission on the conventional energy aspects of the situations to be recommended - as well as on the general economic factors involved.

The Agency is also prepared to render assistance to its Members in the use of radioisotopes. It is, of course, common knowledge that the more highly developed countries have been able to effect an annual savings, through the use of radioisotopes in industry, amounting to tens and even hundreds of millions of dollars. This has been accomplished mainly by the widespread use of radiography, and gauging of thickness and density of materials, resulting in a more uniform and durable product. Such applications of atomic energy have the important advantage of not destroying the object of the experiment. This means considerably less waste and permits attainment of a higher production rate.

Radioisotopes have also been widely used in the petroleum industry, to accelerate processing and improve the quality of its many products, as well as in the rubber industry, where - to give one example out of scores - the tires you drive on have been tested and economically improved by tracer techniques. These examples of the industrial uses of radioisotopes represent only a small fraction of potential applications. The Agency is promoting the use of such techniques by the dissemination of information and providing expert advice.

/The applications

The applications of radiation and radioisotopes in medicine and agriculture are most promising for the economic and social progress of less-developed countries, and the Agency, in consultation with WHO and FAO, is assisting in promoting their use. As far as agriculture research is concerned, the use of radioisotopes as tracers can be applied directly to problems of increasing crop yields. In the medical field, the diagnosis of disease is a particularly important example of a complete change in the methods now being employed as a result of the use of radioisotope techniques. On all these aspects of radioisotope applications, the Agency is in a position to give competent advice to its Member Governments.

A number of advanced countries have spent large sums of money exploring the possibility of preserving food by irradiation. A survey of this work is being made by the Agency in consultation with FAO, with a view to ascertaining whether such an application would be economically feasible in the less advanced areas of the world as a means of easing the increasing demands for food of the over-growing world population.

Mr. Chairman, with your permission, I would like now to review briefly the Agency's technical assistance activities in Latin America. Our resources for all technical assistance operations are derived from three sources: First, financial contributions by members to the General Fund of the Agency, which has been targeted for 1959 at \$1.5 million; Second, donations in kind in the form of contributions by Member States of the services of experts, fellowships and scholarships at national institutions of Member States, and equipment. Thus far the Agency has been offered 169 fellowships, /and the



and the services of some 70 experts; and Third, funds made available to IAEA by virtue of its participation in the United Nations Expanded Programme of Technical Assistance.

While IAEA's resources in this field are limited, it must be remembered that our technical assistance activities only got under way in 1958. And in the field of atomic energy, it became particularly important to determine what various countries needed, and how these needs could be met. Many countries have either not yet begun, or only recently started, their programmes for development of the peaceful uses of atomic energy. They required assistance in evaluating their needs and in planning their projects. One of the first steps of the IAEA, therefore, was to organize and to despatch preliminary technical assistance missions, or to make preparatory surveys of various kinds.

Our first mission was sent to seventeen Latin American countries in the middle of 1958 to study the needs for establishing in Latin America one or more training centres in the field of the peaceful uses of atomic energy. The report of this mission is now before you. The mission recommended that at least one specialized training centre and one integrated atomic centre should be established as soon as the necessary funds and staff could be found. In 1959 two other agency missions will visit Latin American countries. Three countries in Latin America: Argentina, Brazil and Venezuela have requested the Agency's advice and assistance in connexion with the development and implementation of their atomic energy programmes and related matters. Argentina has stated in

/particular her

particular her interest in advice on the prospecting for, and the mining and processing of, uranium ores in connexion with its general atomic energy programme. Venezuela, apart from general advice on the setting up of an atomic energy commission and the initiation of an atomic energy programme is particularly interested in the development of research programmes related to her research reactor. Brazil is interested in receiving advice on all aspects of her nuclear programme. Both Argentina and Brazil have requested the Agency's assistance in exploring the possibilities of the economic production and utilization of nuclear power in specific locations in their countries.

The Board of Governors considered these various requests during its April series of meetings and decided to despatch two missions to Latin America. One will visit Argentina, Brazil and Venezuela in June and July 1959, and will give these countries advice and assistance in connexion with the development and implementation of their atomic energy programmes. The other will visit Argentina and Brazil to assist them in exploring the possibilities of economic production of nuclear power. The Brazilian request for assistance in establishing the irradiation measurement service, including the supply of equipment, was approved by the Board of Governors in January 1959.

It is apparent, Mr. Chairman, that in pursuing these avenues of interest, the Agency may find it necessary to call upon ECLA for information and guidance of a technical and factual nature. We would therefore be most grateful if the Secretariat of the Commission could provide these missions with such assistance as may be required.

/The lack

The lack of scientific and technical personnel possessing the necessary qualifications explains to a great degree why many countries have been unable to press forward rapidly in utilizing atomic energy for peaceful purpose. For this reason it was recognized in the Agency's initial programme that assistance to Member States in this field should be one of the major concerns of the Agency in its early years. Our fellowship programme is conceived with that end in view.

In 1958, the Agency received 287 nominations for fellowships from 30 countries, and selected 286 for placement in twenty countries. Of 65 applications received from countries of Latin America, 43 were granted. Under the 1959 exchange and fellowship programme, the Agency will be in a position to award over 400 fellowships.

I have tried to cover only the major fields of the Agency's work. There are many others. Regulatory activities is one of them. Before the use of atomic energy can safely spread throughout the world, it is also essential that there should be reasonable and uniform standards for safety protection. The Agency has taken a first step in this direction by the publication of a Manual of practice for the safe handling of radioisotopes. Panels are now meeting to formulate international regulations on the transport of isotopes and on the transport of larger and more dangerous concentrations of radioactivity, such as irradiated fuel elements. The Agency's recommendations for regulations on the safety of research reactors are likely to be completed in 1960, and those on power reactors in 1961.

/These regulations

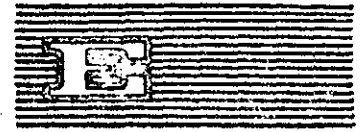
These regulations must, according to our Statute, be applied to our own operations. They are also intended to serve as a model to the Governments of our Member States; this is particularly important at the present time when many governments are beginning to formulate health and safety rules.

Mr. Chairman, atomic energy has been, in the years following the Second World War, the object and the symbol of both the highest hopes and the deepest fears of mankind. After the initial shock of the realization of its destructive powers, the world is awakening to the expectation of the great benefits which it can also bestow. The International Atomic Energy Agency is the first attempt on a worldwide basis to face the challenge and opportunity of the peaceful uses of atomic energy. It is the Agency's hope and desire that we may contribute our share in the common effort to advance the economic and social well-being of the less-developed countries.



OUT OF STOCK  
SEE SPANISH:

27. EXPOSICION DEL SEÑOR JULIO B. PONS, REPRESENTANTE DEL URUGUAY, EN LA SESION DEL 16 DE MAYO DE 1959.
28. EXPOSICION DEL SEÑOR ARNALDO TOMAS MUSICH, REPRESENTANTE DE LA ARGENTINA, EN LA SESION DEL 16 DE MAYO DE 1959.
29. EXPOSICION DEL SEÑOR LUIS MARTY, REPRESENTANTE DE CHILE, EN LA SESION DEL 16 DE MAYO DE 1959.
30. OUT OF STOCK.
31. NECESIDADES DE MATERIAS PRIMAS, TRANSFORMACION METALURGICA Y MECANICA, MANO DE OBRA E INVERSIONES PARA EL DESARROLLO DE LA INDUSTRIA AUTOMOVILISTICA BRASILEÑA.
32. EXPOSICION DEL SR. VLADIMIR I. BAZIKIN, REPRESENTANTE DE LA UNION DE REPUBLICAS SOCIALISTAS SOVIETICAS, EN LA SESION DEL 16 DE MAYO DE 1959.
33. EXPOSICION DEL SEÑOR ALFREDO SANCHEZ BELLA, REPRESENTANTE DE ESPAÑA, EN LA SESION DEL 16 DE MAYO DE 1959.
34. EXPOSICION DEL SEÑOR JUAN PARDO HEBEREN, REPRESENTANTE DEL PERU, EN LA SESION DEL 16 DE MAYO DE 1959.
35. EXPOSICION DEL SEÑOR BOLESIAW JELEN, REPRESENTANTE DE POLONIA, EN LA SESION DEL 16 DE MAYO DE 1959.
36. EXPOSICION DEL SEÑOR MARIO MAJOLI, REPRESENTANTE DE ITALIA, EN LA SESION DEL 16 DE MAYO DE 1959.
37. EXPOSICION DEL SEÑOR RUDOLF SCHROEDER, REPRESENTANTE DE LA ORGANIZACION METEOROLOGICA MUNDIAL, EN LA SESION DEL 16 DE MAYO DE 1959.
38. EXPOSICION DEL SEÑOR ANTONIO GARCIA MORENO, REPRESENTANTE DE LA FEDERACION SINDICAL MUNDIAL, EN LA SESION DEL 16 DE MAYO DE 1959.



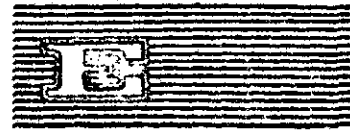
NACIONES UNIDAS

CONSEJO  
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(E/CN.12/VII/DI..... Page 2

- 39 DISCURSO DEL SEÑOR JORGE LATOUR, JEFE DE LA DELEGACION DEL  
BRASIL, EN LA SESION PLENARIA DEL 15 DE MAYO.
- 40 OUT OF STOCK.



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OUT OF STOCK.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

STATEMENT BY MR. FRANCISCO AQUINO, SECRETARY OF COMMITTEE II  
ON AGRICULTURE, AT ITS FIRST SESSION ON 13 MAY 1959

I should like to take advantage of this opportunity to make some brief remarks on two subjects, which I submit for discussion:

1. The slow development of agriculture in the region as a whole, and its causes and effects, and

2. The ECLA/FAO work programme.

Since its inception, the Economic Commission for Latin America has taken pains to study the obstacles which are impeding the development of agriculture in the region, including fisheries and forestry. I might cite as an example the report of the Joint ECLA/FAO Working Group which was submitted to the second session at Havana and dealt with the availabilities of certain inputs in agricultural production.

Nevertheless, for various reasons, the Commission has had to consider these problems in fragmentary fashion and has been unable to undertake a systematic study to determine the obstacles the removal of which would break the vicious circle in which a large part of the region's agricultural sector is caught - particularly the part intended for internal supplies - a vicious circle consisting in a low level of income resulting in a reduced rate of saving and investment, which in its turn, keeps productivity down and thereby prevents any rise in income.

/Latin American



Latin American agriculture has been incapable in recent years of increasing its rate of growth to the point required by the expansion of the demand for foodstuffs as a consequence of the increase in population and income. I refer to the general situation, since it is common knowledge that there are exceptions, especially in so far as certain traditional export items are concerned which now give rise to problems of a different nature. This has had an important effect on the economy of the region. Whereas the growing internal demand for foodstuffs and raw materials from agriculture and live-stock has obliged more resources to be assigned to production for domestic consumption, the region has had to withhold an increasing proportion of its primary or traditional export commodities. Furthermore, imports of the products of agriculture and live-stock have had to be considerably increased in order to prevent a further reduction in consumer supplies which have already dropped to a low nutritional level. The quantum of agricultural exports decreased from 36 dollars per capita before the war to only 23 dollars in 1955-57. Conversely, the quantum of imports between those two periods had to be increased from 4 to 6 dollars per capita. Hence, it may be seen that Latin America's foreign trade balance in the products of agriculture and live-stock deteriorated visibly. If only the region's trade with the rest of the world is taken into account, it may be noted that although Latin America continues to be a net exporter, the quantum of the per capita exportable surplus declined from 33 dollars in the pre-war period to only 19 dollars in 1955-57. Document E/CN.12/499 clearly

/demonstrates that

demonstrates that Latin America, which used to be a net exporter of oils and fats to the amount of some 500,000 tons a year, has recently become an occasional exporter of the small surpluses left over after consumption needs have been satisfied. Moreover, if the production trends for wheat continue as they have done since the war, and if the per caput increase in the consumption of bread and alimentary pastes continues, it would not be surprising if the region were soon converted into a net importer of wheat.

Fortunately for the region, the effect of such a sharp drop in the foreign trade balance for agricultural commodities did not lead, during the first post-war decade, to the serious consequences for the capacity to import that might logically have been expected in view of the fact that prices remained the same. A marked improvement of 28 per cent in the terms of trade resulted in a reduction of only 14 per cent in the purchasing power of net per capita exports, although the quantum fell more than 40 per cent. Nevertheless, the situation changed radically from 1957 onwards following the sharp drop in the prices of certain agricultural commodities.

Under these conditions, the impetus derived from the external sector of the Latin American economy has been weakened and agriculture's foreign exchange contribution for imports of capital goods has contracted appreciably.

Although it is true to say that, in the last few years, some sectors of Latin American agriculture have succeeded in improving

/their efficiency

their efficiency at a more rapid rate than before, it is equally true that average productivity is lower today and that, as a result, the agricultural sector as a whole offers a low income level for those who regard it as their main source of employment. The per capita contribution to the gross product of anyone employed in agriculture averages, for the region as a whole, less than 30 per cent of that made by workers in other sectors. In other words, three and a half persons working in agriculture contribute exactly the same as one person employed in other activities; in Venezuela the discrepancy between petroleum and agriculture ranges from 1 to 10. Agriculture has the lowest capital formation rate of all the economic sectors, as well as extremely low educational levels and little technological knowledge. Moreover, it harbours a large number of small farmers and agricultural workers who live at subsistence level only. In monetary terms, income per capita and per annum is very low in most countries. Hence, it is impossible for the agricultural sector to carry out the role which corresponds to it as an important consumer market for industrial products and even as a broader market for its own commodities. It is also impossible to raise demand for services allied to foodstuffs and agricultural raw materials.

It should be remembered at this juncture that agriculture has been and always will be the major economic activity in Latin America, since approximately half the economically active population is engaged in rural work; its contribution to the regional gross product in 1957 was about 23 per cent and it produces more than two-thirds of the total

/value of

value of the region's exports. Here resides the great importance of the difficulties which arise and the urgent need to solve them in order to obtain the highest possible rate of general development and improve the stability of the Latin American economies.

The slow development of agriculture has been acting as a powerful brake on the acceleration of the general development and has produced marked disequilibria between agriculture and the other economic sectors with the following adverse effects:

1. The contraction of internal supplies of agricultural commodities;
2. The reduction of the capacity to import;
3. The maintenance of nutritional levels at their already very low level;
4. The accentuation of the inflationary pressures, and
5. The preservation of a low level of productivity with the following results:
  - (a) Inefficient utilization of resources, particularly land and manpower;
  - (b) Absorption of a high proportion of the active population with the consequent under-employment, and
  - (c) Low income levels which limit the demand for industrial and agricultural products and services of various kinds, and prevent the rate of capital formation from accelerating.

The essence of the difficult agricultural situation is undoubtedly

/to be found

to be found in the low average level of income of the population engaged in agriculture and the very great inequalities in the distribution of income. Perhaps the greatest contrasts are to be seen in agriculture, since the great mass of small farmers and rural labourers barely earn enough to enable them to live at a subsistence level, while a fairly small group of big landowners have incomes not always in proportion to their efforts and investment costs.

This ill-balanced situation has its origin in the unequal distribution of land, inadequate systems of land tenure and the obsolete systems of operation which still prevail in certain parts of the region.

In many countries, large tracts of land are in the hands of a small number of landowners who are able to farm only a fraction, and that very inefficiently. As against these latifundia, there is a large number of small farms and holdings usually situated on poor and eroded land that yields very little. Generally speaking, it may be said that between 3 and 8 per cent of the total number of farms in the region cover 60 to 70 per cent of the productive area. By contrast, from 75 to 80 per cent of the total number accounts for a mere 5 to 10 per cent of land suitable for production.

This situation for example has had the following consequences:

On the large estates:

- (a) Inefficient utilization of land through the adoption of the extensive method of farming based on tradition with little use of modern methods and failure to work large tracts of land;

/(b) A low

- (b) A low rate of capital formation;
- (c) Low manpower productivity and low wages, often with payment in kind and perquisites;
- (d) Inefficient conservation of renewable natural resources, and
- (e) Absentee landlordism.

On the small holdings:

- (a) Very low labour productivity;
- (b) Permanent under-employment;
- (c) Serious capital formation difficulties;
- (d) The use of primitive methods of cultivation;
- (e) Poor land conservation.

The multiple systems of land tenure to be found in Latin America still include the arrangement by which the landowner pays for the work of his labourer through the transfer of small lots of land which he must then farm by his own efforts and capital. Such systems, which are vestiges of the colonial economies, are one of the worst obstacles to progress in the agriculture and live-stock sector. Moreover, the most conventional systems of tenure such as leasing and sharecropping usually fail to provide the requisite stability and incentives for fixed capital investment.

Most of the rural population in Latin America is still illiterate and the traditional imperviousness of many of the big landowners to the adoption of new methods or to the reinvestment of profits in their land is only too well-known.

/Inflation has

Inflation has helped to discourage capital formation in agriculture, and wherever it has existed for any length of time it is frequently believed that the best defence against it is to purchase more and more land instead of intensifying and rationalizing crop and stock farming.

Most of the difficulties already described and the lack of adequate extension services in the agricultural sector lead to an extremely low technical level in many branches, particularly those which produce for internal markets. Even though experimental farms have succeeded in solving many of the technical problems of agriculture and in establishing better methods of increasing productivity, their findings cannot be circulated among the rural population to any great extent. For this reason, the systems of cultivation to be seen are primitive and highly precarious, their yield is small and they have a large percentage of losses from plagues and diseases.

The technical assistance programmes of the FAO and bilateral organizations have tried to help in solving these difficulties of investigation and information, but it is clear that the situation cannot improve to any marked extent without State action.

Before concluding these remarks, I should like to refer to the incentives that exist for increasing agricultural production and efficiency. In this respect, I wish to draw the attention of the delegations to the report prepared by the Latin American Centre on Price-Support Policies in Agriculture. The Centre considered that Latin American experience appears to show that measures intended solely

to regulate prices may have results which are not at all adapted to the objectives that ought to be pursued by a policy of incentives in countries in process of development. A policy of high prices for the farmer mainly affects consumers in the low-income groups and heightens inflationary pressures, whereas an attempt to keep prices down to consumer levels, is liable to remove the incentives from production. Moreover, in the under-developed countries, there is generally no possibility of effecting substantial transfers of income from one sector to another of the economy. If an attempt is made to grant direct subsidies to farmers, then we find that the resources come from the very agricultural sector that it is intended to help.

The foregoing indicates that, under the conditions prevailing in Latin America, the measures intended to influence prices of agricultural commodities should be supplemented by others of a different kind, which would raise the final income received by the farmer by lowering production costs and increasing agricultural productivity. Other measures would avoid sudden drops in income by insuring the farmer against losses caused by natural disasters.

The Centre considered that these measures should be given special attention by the Latin American countries since they may be able to remove some of the obstacles hampering agricultural development. Moreover, they are particularly useful as incentives for agriculture which remains outside the monetary economy of a country - or subsistence-farming sector - which responds in a very limited way to measures of support which have a direct effect on producer prices.

/The Centre



The Centre discussed, in particular, three indirect methods of subsidizing agriculture: subsidies for production factors, credits and harvest insurance. The Centre also referred to fiscal measures which, by readjusting the incidence of direct or indirect taxes, including those on sales, gives the farmer greater incentives without affecting prices.

The Centre considered that one of the most effective methods of improving productivity and raising the final income of the farmer is to subsidize inputs or to reduce their cost in other ways, since the latter form an important part of production costs.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 11 May 1959

STATEMENT BY MR. EERO RALEKIHIM, FORESTRY

EXPERT OF FAO, IN COMMITTEE II, ON 18 MAY 1959

At its seventh session in Rio Pas, the Economic Commission for Latin America approved a resolution (133-VII) on the proposed joint CEPAL/FAO study on Latin American Timber resources and prospect and declared that such a detailed study on the trends and prospects of Latin American consumption of wood and other forest products was urgently needed.

I would like to refer to the two documents circulated among the delegates of this session, namely the Note of the Executive Secretary on the Study (E/CN.12/507) and the Information Document No. 3 on Forest Products and the Proposed Latin American Common Market. The first one sets out the general problems the Study should tackle and the procedure. The second gives ample general data on the forest products' position in Latin America to-day. This study would be the third in a series of regional timber trends studies which have been undertaken, since 1949 jointly by the FAO and the regional economic commissions of the UN. The first one on Europe was finished and presented in its final form in 1952. Although the statistical and other data on production, trade and consumption is perhaps more readily available in Europe than in other regions, the European study nevertheless revealed many until then unknown trends and facts about

/Europe's timber

Europe's timber economy. The projections made in this study for future consumption requirements were at that time rather severely criticized by many of the leading European economists. The projections of the study were said to be too bold and that European consumption requirements of many forest products, notably of pulp and paper, were unlikely to show such an increase as was indicated in the study. Since then, however, the findings of the European study have proved remarkably correct, and in most cases even too cautious. The overall requirements for pulp and paper, for instance, had exceeded the level estimated well before the year, 1960, which was set as a target for the study's projections. The European study therefore is to-day accepted as the most correct basic general analysis of the situation in the region, and is also increasingly quoted as an important reference in national forest economic planning.

After the European study was finished, it was the turn of a second one. For a number of reasons the choice fell on Asia and Far East. This study has been on its way since 1957 and is now approaching the final stage. Although the study is not as yet completed, it nevertheless has already shown some quite interesting features in the region's forest economy, features which so far were ignored. For instance, the total volume of wood produced by the region which had previously been estimated at some 200 million cu.m. turned out, on the basis of information material treated in the course of the analysis, to be close to 800 million cu.m. Four times the generally

accepted volume.

There seems to be no doubt, therefore, that a study of this nature, while giving an answer, or at least attempting to do so to many of the problems of the regions' consumption of forest products and their trends, at the same time reveals features and facts, which once known, may have greater importance for the economic development of the whole region than that based on present information.

It is obvious from the information material available that Latin America is one of the most underdeveloped regions of the world as far as the utilization of its forest resources are concerned. Theoretically, the region has the largest forest area in the world, 890 million ha. The extension of forests classified as accessible is 329 million ha. -- the second largest of the world -- and two and half times Europe's total forest area. Yet only about 10% of the total forest area in Latin America is in use. But even so, the forests in use, in the terms of hectares per capita, are still above those of Europe, for instance. The growing stock per hectare of forests in use, as well as the gross annual increment are estimated to be the highest in the world. Yet, Latin America is a heavy net importer of forest products, and the past trends show that the net imports are steadily increasing. Most of the imports are of pulp and paper, and although the Latin American pulp and paper industry has made remarkable progress in the past decade, the current consumption requirements tend to grow faster. As to the more primary

/ forest products,

forest products, sawn wood, plywood, etc. the exports just about equal imports, although the natural conditions, the existing resources and the relative facility to establish primary forest industries should make it possible for the region to be a substantial net exporter of these products. In order to illustrate this situation better, I take the liberty of making some striking comparisons between Latin American production and trade and those of some other countries or regions.

The three small Northern European countries, Finland, Norway and Sweden, although they are very advanced indeed in the field of pulp and paper and have reached a remarkable degree of rational utilization of their forest resources, still produce and export great quantities of wood in its raw or less processed form. Their total annual production of sawn wood is over 13 million cu.m. Exports amount to about 3.5 million cu.m., equal to the total production of sawn wood in Latin America. The value of all forest products' exports by the three Northern European countries has during the recent years fluctuated between 1.500 and 2.000 million dollars a year. Total Latin American annual exports hardly reach 100 million dollars. Although the Northern European forests are particularly well suited for utilization, both because of their homogeneity and better accessibility, these differences, nevertheless, are tremendous. And it should not be forgotten that the Northern European forests grow much slower than those of Latin America.

While this illustration should show rather clearly the latent possibilities

/in Latin America

in Latin America even in the field of primary forest products, not to speak of pulp and paper and more refined products, I would like to abuse the time of the delegates by giving another example of similar nature. Latin American forest resources are by their composition, quality and other factors excellent sources of raw material for veneer and plywood industries. Yet the region is net importer of these products and the total production is only about 215,000 cu.m. This is less than the volume of plywood exports by such a small country as Finland, for instance. Furthermore, Japan, which has infinitely smaller forest resources than Latin America, produces close to 1 million cu.m. of plywood and exports some 350,000 cu.m. It has frequently been stated that a large part of Latin American forest wealth is inaccessible and that the low level of utilization is, to a great degree, due to lack of transport and communications. This is true to-day, but not necessarily tomorrow. The importance of progress in both exploitation and transport techniques should not be overlooked. Even in North America, Europe and the Soviet Union, great forest areas which were untouched or unexploited in a not too distant past, are to-day under dynamic and rational exploitation, thanks to improved means of getting at them. The facilities offered by better transport and communications as well as improved exploitation techniques might therefore considerably change the present pattern and location of forest exploitation and lead to a more rational /utilization of

utilization of the region's forest wealth as a whole.

Another aspect in Latin America which is bound to change sooner or later is the tremendous amount of waste throughout the operations from the trends to the industries and consumption. Waste percentage in most countries of Latin America are the highest in the world. By merely improving the techniques great economic values can be saved.

Much has been said in the course of the past years of the importance of pulp and paper products to the general economic and social progress.

Although pulp and paper have thus been the forest products most spotlighted, other products certainly have their importance also in the improvement of the welfare of the peoples in general, and in such sectors as housing, for example, in particular. I do not wish to enter more deeply into these aspects either general or more specific. But I would like to mention that apart from the general economic implications of a better and more dynamic and extensive utilization of the forest resources, there are many important social factors involved which frequently do not receive the attention they deserve. For instance, forest yield can rightly be considered as a crop. But unlike most agricultural crops, the forest crop can be harvested continuously. Hence steady and permanent work possibilities can be created for a large part of the population. There is no doubt that the rational and dynamic utilization of the forest resources, and the resulting industrialization and stable work possibilities have, for instance,

/contributed to

contributed to a great degree to the relatively high social standards in the Northern European countries.

The development of Latin American forest economy and industrialization of its forest resources should have three main targets.

1. to gradually eliminate the negative trade balance in forest products which the region has with the rest of the world.
2. to be ready to meet, simultaneously, the growing consumption requirements of forest products within the region and
3. to contribute through greater exports to the rising import requirements of forest products in other regions and thus to assume a major role in the world's forest economy.

These targets are ambitious and difficult, even the first of them, but by no means impossible. The potential resources of Latin America, once under rational and dynamic management are certainly sufficient to reach all three of these targets, even if the progress will be gradual and spread over a long period.

In order to illustrate the possibilities of Latin America as a major supplier of forest products to other regions in the future, I would like to give a short statement of the situation in Europe and North America where about half of the total world consumption and about 90% of world trade in forest products is concentrated. Europe has traditionally been considered a zone of the major suppliers of forest products to other regions; its trade balance in forest products even / with North



with North America was positive for decades. To-day, Europe as a whole is a net importer of forest products for a value of some 200 million dollars. North America on the other hand has changed to a net exporting region, the value of net exports being also around 200 million dollars. But this is largely a result of the forest industrial production capacity, notably in pulp and paper, having temporarily outgrown the region's own consumption requirements. Long term trends, however, give little hope that North America could continue as a major supplier of forest products to other regions. The temporary slackening in world demand for forest products, and for pulp and paper in particular, which has characterized the market during the past two years, seems by now to have disappeared and demand is again approaching the actual production capacity. But I turn back to the situation in Europe, because this region obviously is the one which should because of recent trends in its production, consumption and trade have the greatest external influence on the development of Latin American forest industries. The total value of forest products imports by Europe is just below 3.000 million dollars, and Northern Europe supplies more than half of the region's total **import** requirements. But, consumption is rising, and so are the import requirements. The six countries of European Economic Community alone import forest products for a value of not far from 1.500 million dollars. It is estimated that in the coming fifteen years the import requirements of this group of countries will have risen by about one

a half times. This means that the value of their forest products' imports would be of the order of 3,500 million dollars. The United Kingdom, the largest single importer of forest products in Europe, to-day imports for over 1,000 million dollars worth annually. And it is obvious that consumption in this country tends to rise too.

How can this tremendous increase in import requirements be met? Northern Europe is already making almost the fullest possible use of its forest resources and total production can be further increased only with difficulty, and an increase in the production of one category of forest products might easily lead to a decline in the production of another. Also, the consumption requirements within these countries tend to rise. Therefore, Europe's dependence on supplies from other regions will, from now on, tend to grow very rapidly indeed. In fact most of the increase in its consumption requirements will be directly transferred to import needs.

Mr. Royer from GATT made some very interesting statements here on Friday when he spoke of the industrialized countries tending to industrialize and develop their agriculture too, and of becoming decreasingly dependent on many of the previously imported supplies. This may be true, and plenty can in fact be achieved by improved techniques, fertilizers, etc. in order to increase crops.

Further economic and industrial progress in Europe will certainly increase the consumption of most forest products considerably. But any

/ parallel and

parallel and corresponding increase in production is out of question. Forest resources are different from agricultural crops in this that, although they are renewable also, they grow slowly, and the limit of national exploitation is set by the annual growth. There is relatively little that man can do to increase the yield and once the limit has been reached the only answer to meet the additional requirements is imports. In most countries of Europe this limit has been reached and in those which still have some margin to play with, the margin is growing narrower every year.

Europe however is not the only possibility for future exports of forest products by Latin America. Economic development in other regions, until now perhaps insufficiently developed, will create plenty of possibilities for an increased exchange of forest products too. And with a likely specialization among the regions this would not mean that Latin American imports would necessarily decrease or vanish. The basic justifications for a rapid and dynamic development of Latin American forest economy and forest industries thus exist both within the region and outside it. The possibilities which thus are open to Latin American forest industries both within the region and outside it, represent economic values which cannot be measured in terms of 100's of million of dollars but in 1000's of millions.

But in view of the very important economic implications of further progress in the better utilization of the region's forest resources,

and in order to avoid dislocation or undesirable specialization of future forest industries, a sound and adequate basis for the region as a whole is needed. Dr. Prebisch in his speech stressed the urgent necessity of surveying the natural resources in Latin America, including forest resources. One of the possibilities to provide such a base is the proposed Study, which after its completion will place at the disposal of the governments and industrialists of the region as much, we hope, of the necessary data as possible in order to enable them to carry out a rational planning for the best and most economic utilization of the region's resources. The work of the Joint FAO/CEPAL/TAO Pulp and Paper Advisory Group has already contributed greatly in this sense and we sincerely hope that it can continue its activities in many years to come. Much of the material collected by this group will serve as valuable information for the study which will englobe all the forest products.

The progress made with regard to the projected Common Market has no doubt also precipitated the need of such a study. The establishment of the European Common Market and the trend towards increasing imports of forest products by Europe as a region has also added to the necessity of reviewing the potential forest economic resources and possible export capacity of Latin America. Development of forest industries is, however, one of the slowest processes in the utilization of natural resources. The planning of such development takes time, so does the

/ execution of

execution of such plans. Therefore the need of supplying the adequate basis for such a planning is even more urgent and any delay in starting to collect the necessary data and to analyze the present pattern of forest economy in Latin America might lead to most undesirable delays at the moment when a dynamic development has become even more urgent than to-day.

In concluding this statement I would like to mention that the FAO has already engaged to participate in this study, a provision having been made to this respect by the 9th Conference of the FAO in the budget for the current year. It would therefore, be more than desirable that the Economic Commission for Latin America be granted the necessary means and facilities to start participating in the study as soon as possible.

NACIONES UNIDAS

CONSEJO  
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(E/CN.12/VIII) DI. 43.

OUT OF STOCK  
SEE SPANISH:

EXPOSICION DEL SEÑOR CARLOS VICTOR PENNA, REPRESENTANTE DE LA ORGANIZACION DE LAS NACIONES UNIDAS PARA LA EDUCACION, LA CIENCIA Y LA CULTURA, ANTE EL COMITE I, EN LA SESION DEL 20 DE MAYO DE 1959.



NACIONES UNIDAS

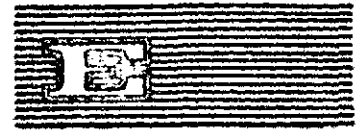
CONSEJO  
ECONOMICO  
Y SOCIAL



(E/CN.12/VIII) DI. 44

OUT OF STOCK  
SEE SPANISH:

EXPOSICION DEL SEÑOR PORFIRIO MORERA BATRES, REPRESENTANTE DE  
COSTA RICA, ANTE EL COMITE I, EN LA SESION DEL 2º DE MAYO DE 1959.



NACIONES UNIDAS

CONSEJO  
ECONOMICO  
Y SOCIAL



(E/CN.12/VIII) DI. 45.

OUT OF STOCK  
SEE SPANISH:

EXPOSICION DEL SEÑOR CARLOS QUINTANA, SECRETARIO DEL COMITE II EN MATERIA  
INDUSTRIAL EN LA TERCERA SESION DEL COMITE EL 20 DE MAYO DE 1959.



ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth session

Panama City, Panama, 14 May 1959

STATEMENT MADE ON 20 MAY 1959 BY MR. ROBERTO HEURTEMATTE,

COMMISSIONER FOR TECHNICAL ASSISTANCE

TO COMMITTEE I (ECONOMIC DEVELOPMENT)

This session has an agenda that includes several items of exceptional importance and the agreements reached in its discussions as well as the resolutions adopted, will play in one form or another a decisive part in the future of the Latin American region. In these special circumstances, item 8 on the agenda which concerns the technical assistance programme, tends to lose in relative importance and perhaps, at this eighth session of the Commission, does not warrant the prominence it has been given in the discussions on other occasions. For this reason, I shall try to be brief, and to confine myself, without any pretensions to an exhaustive analysis, to a few remarks on some tendencies that can be observed in technical assistance.

An analysis of the programme, from 1958 onwards, in all its international implications, shows that a notable increase has been made in those projects which are undertaken by means of the so-called "funds in trust". This occurs whenever a specific country asks for technical assistance from the United Nations, after having used up available funds, and considers the project sufficiently important to bear the costs itself. The requesting country deposits in fact with the United

Nations a sum to cover the whole cost of the project, and the United Nations then proceeds to provide regular technical assistance at the expense of that country.

In many countries which have benefited by technical assistance from various sources - including bilateral programmes - there has been a tendency to prefer United Nations technical assistance, and this has given rise to the phenomenon of funds in trust. The programmes financed by funds in trust and administered from the United Nations headquarters at New York amounted to a quarter of a million dollars in 1958, which is ten times more than the sum recorded in previous fiscal years.

The spectacular increase in programmes financed by funds in trust leads us to believe that technical assistance programmes have been gradually improving. It is natural that after 10 years' experience better methods should have been worked out for providing more beneficial assistance to the countries which require it for development purposes, and this, in its turn, has logically led to the better utilization of technical assistance on the part of the recipient Governments. Technical assistance has already ceased to be an experiment, and, in some cases, has become a factor of primary importance in the integration of the administrative plans of certain Governments. In other words, we have received the impression that the technical assistance programme has improved both in its quality and in the influence it exerts on the nations that apply it. Similarly, Governments not only seem to depend to a greater extent, for any necessary services of evaluation, on technical assistance programmes,

/but also

but also demand assistance of higher quality, advice that can be immediately put into effect, as well as achievements of a practical nature and related to the development of government programmes. It is the prevailing impression in the United Nations Secretariat that there is no doubt about the growing importance of technical assistance for achieving the fundamental objectives of the United Nations: to preserve world peace and improve living conditions throughout the world. The Secretariat, aware of the increasingly important part played by technical assistance programmes in the development of member countries, considers such assistance to be the first and most dynamic function, as well as the chief aim, of its Department of Economic and Social Affairs. Hence the establishment of the post of Commissioner for Technical Assistance, which I have the honour to hold; it is intended to ensure that the whole work of the department is directed towards a more effective realization of the purposes of technical assistance.

I feel sure that I am not mistaken in this view: on the one hand, the services rendered by technical assistance have been developing through the years with the consequent improvement in quality, and, on the other, Governments may increasingly depend on the results of such services. This, however, is not a motive of rejoicing or even satisfaction for us, but rather fills us with a sober determination to continue improving the programmes.

It would be appropriate to make a brief reference at this juncture to the new centralized administration of the Latin American programme;

/I feel

I feel it incumbent upon me to raise this point since a resolution adopted at the last session of the Commission supported the experiment of a decentralized administration. In 1956, four officials of the Technical Assistance Administration were posted to Santiago, Chile, and two to Mexico City, four more remaining in the Latin American Office at New York Headquarters. This movement of personnel was undertaken to improve the utilization of ECLA's services. It is considered that an improvement did take place in those programmes over which ECLA was able to exercise substantive supervision; but difficulties remained, for which no remedy could be found. This was because many programmes were kept under the technical supervision of Headquarters and others came under ECLA. Moreover, it was impossible to decentralize the fiscal administration and that raised an insuperable obstacle. The very structure of the programme, based on a variety of national currencies with different degrees of convertibility, requires a centralized administration. The complications of decentralization left the programme in general in an unfavourable position and led to renewed centralization under the administration at Headquarters. It is hoped, by means of this centralization, to remedy the shortcomings in the previous system without detracting from the benefits which it accorded. Due weight will be given to the positive contribution which resulted from the collaboration with ECLA, whose substantive advice will continue to guide the programmes within its competence, without the attendant administrative inconveniences that used to delay such programmes.

/There is

There is another and less encouraging tendency to be observed in the technical assistance programme. Although the programme is gaining in importance, it will diminish in volume towards 1960. Everything points to the fact that contributions to the Expanded Programme for 1960 will make it necessary to resort to a cut of almost 10 per cent which will virtually eliminate the possibility of services in many new countries, particularly in Africa, which sends us well-founded but overwhelming demands for assistance of every kind in all branches of national activity.

It should also be noted that the General Assembly has given instructions that special attention is to be paid to the requirements of the new countries. In view of this circumstance, I have no other solution to offer than the hope that voluntary contributions will be somehow increased and will thereby enable the Expanded Programme to become enlarged from year to year, instead of being restricted.

Nevertheless, this discouraging picture is accompanied by an attenuating factor as regards the United Nations regular programme. This programme does not, of course, depend on voluntary contributions from member states, but is financed by funds from the United Nations budget.

Resolution 200 authorizes programmes which come under the heading of general economic development; and resolution 418, other programmes dealing with social development. Likewise, resolution 723 authorizes technical assistance programmes in public administration; and resolution 1926, activities in connection with human rights. All these programmes,

/which are

which are financed from the United Nations budget, will be unaffected by the anticipated drop in contributions for 1960. The Social Commission, at its recent meeting at United Nations Headquarters, considered a resolution recommending an increase of approximately 350,000 dollars in the programmes referred to in resolution 418 on social development. Several delegations, among them some from the more important nations supported this project; this allows the hope that the proposal will be favourably received by the General Assembly and that it will be possible to enlarge not only the social development programmes out of the United Nations budget but perhaps also the economic development and similar programmes. Even if this ray of hope were to be converted into reality, it will not make up for the decrease which is to be expected in the 1960 Expanded Programme, but it may serve to lessen the adverse effect of a reduction in technical assistance programmes.

Another tendency which is connected with regional projects in Latin America and is therefore of special interest to member countries of ECLA, may be observed in the regular programmes. The Economic and Social Council has proposed, through its technical assistance commission, that projects of a regional nature included in the Expanded Programme should be restricted to 10 or 12 per cent of that Programme. This is not the plan to enquire into the motives for this decision; we can do more than record it. Nevertheless, it indicates that the very special conditions prevailing in Latin America should be borne in mind. All the countries of the region show a certain degree of homogeneity; many member states of ECLA trace /their economy

of their economy, their history, their traditions and their culture to a common origin. They have also reached, such the same stage of development; they are thus in a position to extract the greatest possible benefit from regional technical assistance projects. If, there is any part of the world, in which countries are able to make common cause for the solution of their difficulties and problems, then that part is certainly Latin America. I myself am convinced that it is in Latin America, with its peculiar conditions that differ from those in any other region of the world, that such projects will open one of the most beneficial channels for technical assistance, especially when the latter serves as a means of disseminating the findings of ECLA's research and technical studies. For all these reasons, a large proportion of the funds belonging to the regular technical assistance programme have been utilized for regional programmes in Latin America.

This is an opportune moment to recall the appreciative words of the Executive Secretary, when, in his brilliant speech, he referred to the Department of Economic and Social Affairs and to the possibilities of establishing the so-called advisory groups in economic development programming as a joint operation on the part of ECLA and Technical Assistance. I had previously heard him express the opinion in a small group that ECLA had two main objectives at its present session: to further agreements for the formation of the Latin American common market and secure the establishment of the so-called joint advisory operation. On that occasion, I observed to Dr. Prebisch that the second objective was as easy to attain as the first was difficult. The Department of Economic and Social Affairs

/has welcomed

has welcomed the plan for setting-up advisory groups and has agreed to co-operate whole-heartedly in carrying out this joint operation. I hope that this session will see the final touches being put to arrangements for the constitution of these groups. The administrative machinery involves certain complications and difficulties that I feel sure can be overcome. I am also convinced that the advisory groups will soon be able to begin their work. We shall, of course, take great care that no suspicion shall arise that ECLA is encroaching upon our well defined rules and regulations nor those of technical assistance, or that the technical assistance programme is being used for studies and research. Each body will remain strictly within the limits of its own competence. The organization of these groups will give greater force to the fundamental conception of technical assistance programmes as a more **effective** utilization of technical and substantive resources, both of the personnel of the regional commission and of Headquarters.

I have pleasure also in announcing that during the present session certain administrative arrangements will be revised so as to impart greater flexibility and therefore greater effectiveness to the training courses which Mr. Ahumada so ably directs in Santiago, as well as to the intensive courses in the different countries.

Generally speaking, these are the observations which I wished to make on the development of the technical assistance programme as a whole.

But, before concluding, I should like to refer, in passing, to the new OPEX programme, which was started in 1959 and will enable the

/Secretary-General



Secretary-General to provide, to countries requesting them, the services of experts who would act, not as consultants, but as executive and administrative officials within the administrative organization of the Governments concerned.

The General Assembly has authorized a fixed sum which is sufficient to maintain some thirty OPEX officials for the world programme. More than 100 requests have already been received but as the programme is still in its first year, which is naturally considered an experimental stage, no definite conclusions can be reached before the coming year.

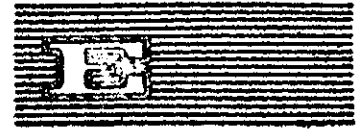
Finally, mention should also be made of the most spectacular technical assistance achievement within the United Nations - the establishment of the Special Fund. It would be premature to give details of the rules by which this organization will be governed, since some of them have not yet been drawn up, and the Special Fund will not begin its operations until later in the year. None the less, in general terms, this new programme is a source of encouragement for countries that are anxious to develop, since it will finance operations on a much larger scale than those which could have been contemplated in the technical assistance programme.

Although no details of the scale of these programmes can be given one of the directors has stated that they will begin by considering programmes of more than 100,000 dollars; no limit has been set, but, projects up to two million dollars have been considered. The Special Fund's programmes are expected to be in the nature of pre-investment works or studies, and the role of the recipient countries will be to undertake the necessary

/measures for

measures for immediately investing capital or carrying out a specific programme. There is no need for me to dwell any further on this subject, since we all feel the greatest interest in the development of the Special Fund which will fill a gap in the Technical Assistance Programme.

May I thank the Delegations present for their kind attention and express my great pleasure at having had the opportunity of attending this meeting. It has been an honour for me to meet so many of the representatives in person, and to have heard such authoritative statements during the debates.



NACIONES UNIDAS

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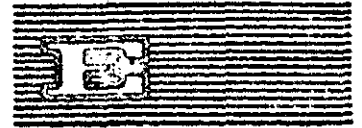


(E/CN.12/VIII) DI. 47

OUT OF STOCK

SEE SPANISH:

EXPOSICION DEL SEÑOR SALVADOR SANCHEZ AGUILLON, REPRESENTANTE  
DE EL SALVADOR, ANTE EL COMITE I EL 20 DE MAYO DE 1959.



NACIONES UNIDAS

CONSEJO  
ECONOMICO  
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(E/CN.12/VIII) DI. 48

OUT OF STOCK  
SEE SPANISH:

INTERVENCION DEL DR. RAMON ADOLFO YLLARRAMENDY, DELEGADO DE LA  
CONFEDERACION INTERNACIONAL DE SINDICATOS CRISTIANOS AL VIII  
PERIODO DE SESIONES DE LA CEPAL, EFECTUADO EN PANAMA, MAYO DE 1959.



NACIONES UNIDAS

CONSEJO  
ECONOMICO  
Y SOCIAL



(E/CN.12/VIII) DL. 49.

OUT OF STOCK  
SEE SPANISH:

EXPOSICION DEL SEÑOR PEDRO R. CHAMORRO, REPRESENTANTE DEL PARAGUAY,  
EN LA SESION PLENARIA DEL DIA 22 DE MAYO DE 1959.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

ORGANIZATION OF WORK FOR THE EIGHTH SESSION OF THE COMMISSION

Note by the secretariat

The secretariat suggests that three Committees should be set up to discuss the various items on the agenda, as follows:

COMMITTEE I

Economic development

1. Economic development problems and policy (agenda item 6)
2. Economic development and integration of Central America (agenda item 7)
3. Technical assistance for economic development (agenda item 8)
4. Statistics (agenda item 12)

COMMITTEE II

Sectors of the economy

1. Industrial development (agenda item 9)
2. Energy and water resources (agenda item 10)
3. Economic problems of agriculture ( in co-operation with FAO) (agenda item 11)

COMMITTEE III

General business

1. Co-ordination and co-operation with the Inter-American Economic and Social Council (agenda item 13)

2. Amendment of the Commission's terms of reference and rules of procedure (agenda item 14)
3. Programme of work and priorities
  - (a) Programme of work 1959-60
  - (b) Preparation for the appraisal of programmes for 1959-64 (agenda item 15)
  - (c) Control and limitation of documentation

The secretariat suggests that, in the course of the general discussion during the first two days of the eighth session, the delegations should present their views with reference to the Economic Survey of Latin America, 1958 and the Economic Bulletin, Vol. IV, No. 1. II (Agenda item 4) (Current economic trends and prospects) could thus be virtually covered. In order to simplify the discussion as regards statistical data and points of detail, the secretariat considers that it might be useful for delegations to submit in writing any comments of this nature which they may desire to make.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 11 May 1959

Committee II

DRAFT RESOLUTION ON THE STRUCTURAL AND INSTITUTIONAL FACTORS OF AGRICULTURAL DEVELOPMENT PRESENTED BY THE DELEGATION OF CUBA

The Economic Commission for Latin America,

Bearing in mind that a considerable proportion of the economically active population of Latin America is employed in crop and stock

farming, forestry and fisheries;

Bearing in mind that exports of agricultural commodities are the principal source of the region's aggregate foreign exchange earnings,

Bearing in mind that the products of crop and stock farming, forest and fisheries likewise constitute a substantial proportion of inter-Latin American trade, and that the exports of many countries consist almost entirely of such products;

Considering that, in spite of the relatively high rate of industrialization which has been observable in recent years, the development of agriculture is, in general, still too slow to satisfy the expansion of demand due to the increase of population and income,

Considering that, as a result of the foregoing factors, there have been an increase in imports of foodstuffs, a decrease in exports, stagnation in the levels of food consumption which are already very low for large sectors of the Latin American peoples, and a recrudescence of inflationary pressures,

/Considering



Considering that one of the main causes of the slow rate of agricultural development in some countries lies in the persistence of outmoded institutions and other matters which render it advisable to improve the distribution of land and of rural income in order to enable agriculture to contribute to a much more rapid rate of industrialization than has hitherto been attained,

Considering that agricultural progress is in great measure influenced by Government action designed to help the farmer to improve his production methods particularly agricultural research, extension and educational services,

Bearing in mind resolutions 15 (IV), 62 (V), 66 (V), 88 (VI) and 89 (VI) of the Commission which refer to various aspects of the problem of agricultural development and land redistribution,

Takes note with satisfaction of the resolution on land reform adopted at the Fifth Regional Conference of the FAO Regional Office for Latin America,

Recommends to member Governments:

1. That they consider 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 redistribution of income in the rural sector as suitable instruments for the attainment of a level of agricultural development compatible with the requirements of overall economic growth;

2. That they pay special attention in their agricultural development programmes to the improvement of distribution systems and to economic incentives which would increase productivity and lower costs;

Requests the

Requests the ECLA secretariat and the Director-General of FAO, acting through their joint programme, and to the extent that the resources of the two organizations allow:

1. To study, the possibilities of expanding the supply of foodstuffs and of agricultural and fishery raw materials by removing obstacles of an institutional and structural nature which are currently slowing down the development of these important sectors of the Latin American economy;
2. To study, in collaboration with member Governments which so request, the conditions under which Government services are given to agriculture, with particular reference to rural research, extension and educational services;
3. To consider, when carrying out these studies, the possibilities of specialization in specific areas and the competitive status of certain items within the setting of a common market, with a view to regional economic integration and to the more efficient utilization of Latin America's resources.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 11 May 1959

COMMITTEE II

Conference Room Paper N° 3

LATIN AMERICAN SEMINAR ON COFFEE PRODUCTIVITY

Draft Resolution presented by the delegation of Panama

The Economic Commission for Latin America,

Considering that coffee imparts a special character to the economy of many Latin American countries,

Considering that the imbalance between the supply of and demand for coffee has led to stockpiling which has severe repercussions on future trade in this commodity,

Considering that the Joint ECLA/FAO Programme has undertaken studies in specific areas on technical and economic aspects of coffee production,

Considering that, by agreement among the participants, there will be no discussion of the productivity and prospects of coffee production at the present session of ECLA,

Considering that the low productivity of the factors involved in coffee production considerably raise the cost of coffee,

Considering that the introduction of up-to-date coffee production techniques is indispensable for raising the level of productivity and improving quality in the Latin American countries,

Considering

CONFIDENTIAL - SECURITY INFORMATION

CONFIDENTIAL - SECURITY INFORMATION

Considering that productivity problems and the prospects of coffee production **should** be studied and discussed at the regional level, on the basis of the joint studies already carried out by ECLA and FAO and of the contribution which may be made by technicians and experts in this field,

Decides to recommend to ECLA that, in conjunction with FAO, it should hold a seminar of technicians and experts, in which the coffee-producing countries of Latin America would participate, to study and discuss standards for determining the productivity of the factors involved in coffee production in the region and to remedy any technical defects from which such production suffers at present, with a view to ensuring that coffee-growing productivity in Latin America does not lag behind that of other continents.

Conference Room Paper No. 4

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

COMMITTEE I

DRAFT RESOLUTION PRESENTED BY THE DELEGATIONS OF CUBA,  
MEXICO AND VENEZUELA

The Economic Commission for Latin America,

Taking into account the fact that, according to statistics for 1956 published by UNESCO, the percentage of illiteracy in Latin America reaches the alarmingly high figure of 40 per cent, with a school life of four years for the literate population and only one year for the total population,

Considering that not only has the ideal of "education for all", expressed in most of the Latin American Constitutions, fallen far short of achievement, but the educational outlook is aggravated by the region's high rate of population growth, which means that approximately one million children are added annually to the school-age population, so that 25,000 classrooms and 25,000 teachers ought to be incorporated into Latin America's educational programme every year, if the present deficit represented by the 15 million children who have no school to attend is not to continue increasing,

Mindful that the effort to give every human being an education, besides being an irremissible duty of the State, is also the most noble of missions and the most profitable investment that can be effected, especially in the field of economic and social community development,

/ Bearing in

Bearing in mind that one of Latin America's most urgent economic development requirements is an adequate supply of properly qualified specialists, technicians and skilled labour, which can be obtained only by means of an educational system that will ensure the elimination of illiteracy and the steady raising of the school age,

Taking into consideration, furthermore, that UNESCO is applying, in Latin America with the co-operation of the Governments of the region and of international organizations a major project for the extension of primary education in Latin America, which, it is hoped, will bring about substantial changes within a period of ten years in the present general picture of Latin American primary education,

Recommends:

1. That, in their economic programming, the Governments should give due priority to work programmes designed to improve and increase education in general and technical and primary education in particular;
2. That the Governments should give their support as hitherto but so far as possible on a larger scale, to UNESCO's major educational development project for the extension of free and compulsory primary education in Latin America.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

COMMITTEE I

Statistical Sub-Committee

DRAFT RECOMMENDATION FORMULATED BY THE WORKING GROUP

There was a consensus of opinion to the effect that the development of Latin American statistical services had made striking progress in recent years. This development was the outcome, on the one hand, of an increasing grasp of the importance of statistics as a basis for intelligent decisions and for Government policy, and, on the other hand, of professional and inter-governmental activities of which the aim had been to strengthen statistical services. Special reference was made to the work of the Inter-American Statistical Institute and to that of the United Nations and its regional specialized agencies, as well as to the activities undertaken by the United States in connexion with bilateral programmes.

The achievements of Governments in co-operation with several international agencies - population and agricultural censuses, for instance, and the formulation of standards for several categories of statistics - were felt to be extremely useful, inasmuch as they helped to improve, at national level, professional training and instruction in statistics.

Nevertheless, the very conditions in which this statistical development process had taken place led to deficiencies and lacunae, the importance of which could not be under-rated and which called for unflinching attention on the part of Governments, international institutions and specialized offices

/in the

in the individual countries. Such shortcomings included those relating to the following points: the need to ensure that national statistical services were accorded the requisite administrative means and budget resources to enable them to discharge their functions satisfactorily; the creation of career professions for statisticians which would mean that the long-term services of properly-trained personnel were available; the co-ordination of activities at national level in order to reduce the cost of statistical research and guarantee a better return on the resources used for such purposes; and the utilization of modern techniques, such as sampling.

In connexion with the priority that should be given to the various categories of national statistics, recognition was given to the need for a joint programme covering all essential national statistics, and especially those that would serve as a basis for economic development programmes. It was felt that a detailed definition of the statistics required for such national development programmes might be of valuable assistance to countries in the preparation of their statistical programmes.

The convening of meetings of working groups composed of experts responsible for specific categories of national statistics, with a view to the exchange of information on methods and to the devising of solutions for common problems, was regarded as an excellent means of improving the statistics concerned. Since the projected industrial censuses were so shortly to be levied and so closely linked with the pertinent statistical series, the view was expressed that it would be of special interest if one of these sessions were held at the earliest possible date, for the discussion of industrial statistics.

/Bearing in



Bearing in mind the foregoing considerations, the Commission:

(1) Requests the secretariat to prepare, in consultation with the Statistical Office of the United Nations the Inter-American Statistical Institute and other interested agencies, on the basis of the document entitled Basic list of statistics for economic development, a minimum programme applicable to the countries of the region in respect of the statistics needed for the formulation of economic development programmes;

(2) Places it on record that, if real progress is to be made in Latin America, efforts must be pooled to create the basic requisites for the efficient compilation of statistics, and that the following measures should be adopted, inter alia:

(i) Study of the organization and general situation of national statistical services, with a view to ensuring that their relations and status vis-a-vis the authorities responsible for policy and programming should be satisfactory and their budget allocations and administrative means adequate;

(ii) The establishment of basic principles for the compilation of data and the application of satisfactory methods of study, including, where appropriate, modern techniques such as sampling;

(3) Recommends that the secretariat should organize, in 1960, a working group of national experts in industrial statistics to study in detail and to exchange experience upon the steps necessary to conduct such industrial censuses and related inquiries as would contribute most effectively to the process of economic development. Subsequently, as resources became available and need

/arose, the

arose, the secretariat should initiate similar action in respect of other statistics important for economic development;

Also recommends, that in connexion with the work on industrial statistics and subsequent work on other statistical subjects, the secretariat should undertake co-operative arrangements for the conduct and financing of the work with the international, regional and national agencies concerned with the development and improvement of statistics. These would include the Inter-American Statistic Institute, the Statistical Office of the United Nations, the statistical offices of the specialized agencies of the United Nations and the bilateral and multilateral technical assistance programmes. In developing the future programme the secretariat would consult with all interested organizations and agencies in order to concentrate activities upon the more important problems connected with the development of statistics.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

Committee II

DRAFT RESOLUTION PRESENTED BY THE DELEGATION OF MEXICO

The Economic Commission for Latin America,

Noting with concern the contrast between Latin America's abundant forest resources and the steady and increasing flow of imports of forest products effected by the Latin American countries,

Convinced that the rapid and efficient utilization of Latin America's forest resources might represent an important contribution to the region's economic development, to inter-Latin American trade and to the improvement of the standard of living of the population,

Recognizing that such utilization necessarily entails the analysis and evaluation of Latin America's forest potential and probable future requirements of forest products,

Reiterates its request, previously formulated in resolution 133 (VII), that the secretariat should contact the Food and Agriculture Organization of the United Nations (FAO) with a view to undertaking forthwith a study in close co-operation with that organization;

Regrets that this study should have been deferred for want of resources;

Expresses the hope that the secretariat may be allocated the funds required for carrying out the study in question, which is so urgently needed, that work on it may begin in the course of the current year and that it may be presented at the Commission's next session;

/Recommends to

Recommendations to Governments:

(a) That they take suitable steps to improve information on the forest resources of their respective countries, as well as statistics on forest products, taking advantage whenever necessary of the services of the Bureau of Technical Assistance Operations, the Food and Agriculture Organization of the United Nations and other appropriate bodies;

(b) That they co-operate fully with the secretariat, affording it the necessary facilities for carrying out the study.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

COMMITTEE I

DRAFT RESOLUTION ON ECONOMIC DEVELOPMENT ADVISORY GROUPS PRESENTED BY  
THE DELEGATIONS OF CHILE, CUBA, PANAMA AND VENEZUELA

The Economic Commission for Latin America

Considering that various Latin American countries are making every  
endeavour to promote economic development policies,

Considering that efforts to put these policies into effect have been  
impeded mainly by the lack of basic research, the inadequacy of certain  
administrative machinery and procedures and the shortage of trained personnel,

Considering that the investigations into the economic development of  
the Latin American countries and the training courses which the secretariat  
has been carrying out have been partly successful in solving these problems,

Considering that the secretariat of ECLA and other United Nations  
organizations may, be acting in co-ordination, make an even greater contribution  
to the solution of the aforesaid problems,

Considering that, in compliance with resolution 137 (VII), the  
secretariat has reported on (E/CN.L2/518) the formation of an advisory group  
established in collaboration with the Technical Assistance Operations  
Office which is rendering service to a Latin American country,

Takes note with satisfaction of the report made by the secretariat,  
and

Recommends:

/1. That

1. That such services should be given on a scale sufficient for Latin America's requirements,

2. That in so doing, special attention should be paid to (a) the establishment of administrative machinery and procedures which would in practice facilitate the co-ordination of economic policy, and (b) the training of sufficient personnel, by means of practical investigation into analyses, programmes and projects, and by intensive training courses.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

Committee I

SKILLED LABOUR

Draft resolution presented by the delegations of Brazil, Peru and Venezuela

The Economic Commission for Latin America

Considering the secretariat note (E/CN.12/519) on the question of skilled labour in Latin America,

Considering the adverse effects which the great scarcity of technical personnel and of specialized labour in general have on the region's economic development,

Recommends the secretariat to consider, in collaboration with the other international organizations concerned, and in particular the ILO, UNESCO, the OAS and the Inter-Governmental Committee for European Migration (ICEM) the establishment of a joint project

1. To make an estimate country by country of the skilled labour required with particular reference to those categories which are difficult to train,
2. To make an estimate of the means available for training and of the existing resources,
3. To propose to Governments measures for the readaptation and expansion of these resources and the utilization of skilled immigrant labour.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

COMMITTEE I

Draft resolution presented by the delegations of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua

The Economic Commission for Latin America,

Considering, that in 1952 ECLA and the Technical Assistance Administration jointly established an economic development training programme, with its headquarters at Santiago, Chile, with a view to the formation of personnel trained in the analysis and programming of economic development,

Considering that this training programme is an important means of disseminating ECLA's experiences with respect to economic development programming in the Latin American countries,

Considering that the Santiago training programme has so far trained 90 Latin American specialists, thereby effectively contributing to the development of the countries in the region,

Considering that, in spite of the above the Latin American countries require for the analysis and programming of economic development that a greater number of specialists in different professional categories should be trained in economic development matters,

Considering that, in order to facilitate such training, it would be advisable to establish intensive economic development training courses in such areas as Central America and the Caribbean, in which follows from the

/countries of



countries of those areas might participate and thereby take advantage of all the benefits that can be derived from courses of that type,

Resolves:

1. To move a vote of thanks to the ECLA secretariat for the praiseworthy work it has carried out through its training programme, and to express its gratitude to the United Nations technical assistance for its support.

2. To request the secretariat to study the possibility of expanding the programme with a view to initiating intensive training courses in economic development in areas such as Central America and the Caribbean.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

Committee I

DRAFT RESOLUTION ON CO-ORDINATION AMONG PROGRAMMING BODIES,  
PRESENTED BY THE DELEGATION OF CHILE, COLOMBIA  
AND ECUADOR

The Economic Commission for Latin America,

Whereas several Latin American countries possess or are organizing programming bodies for the purpose of guiding their economic development into appropriate channels with a view to bringing about the harmonious growth of all sectors of production and raising the standards of living rapidly without disturbing the balance thereof,

Considering that it is extremely useful that each such advisory should have the opportunity of becoming better acquainted with the organization of the other bodies, their methods of work, objectives and targets and programmes whether under study or in process of being carried out and of pooling the conclusions derived from their experience.

Taking into account that a technical co-operation agreement to this effect already exists between the programming bodies of Colombia and Ecuador, and was signed in February 1959 by the Governments concerned, ad referendum,

Bearing in mind that at the recent consultations on trade policy and payments at Caracas consideration was given to the possibilities of extending the aforesaid agreement to other Latin American programming bodies,

/Believing that

Believing that the ECLA secretariat could be of effective assistance as a centre for the pooling of experiences and suggestions in these matters,

Decides:

To request the ECLA secretariat to study the organization, objectives, methods of work and other characteristics of the programming bodies existing or about to be set up in Latin America, as well as their programmes under study or in process of being carried out and to act as liaison between these bodies with the aim of assisting them to co-ordinate their efforts within the Latin American region, and to suggest that, in the event of the conclusions of agreements like that already entered into between Colombia and Ecuador, ECLA, when so requested, should assist in the organization and operation of the common body thus formed.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

DRAFT RESOLUTION PRESENTED BY THE DELEGATIONS  
OF BOLIVIA, BRAZIL AND PERU

The Economic Commission for Latin America,

Considering that the Special Committee of the Council of the Organization of American States set up to study the devising of new measures of economic co-operation (Committee of the 21) adopted, at its second session held at Buenos Aires from 27 April to 8 May 1959, a draft resolution in which it recommends that the Inter-American Economic and Social Council should undertake a study programme for every country that so requests, under which recent experiences should be examined and current problems analysed, both qualitatively and quantitatively, and which would serve to shed light on the measures that would most effectively help to expedite the country's economic development,

Considering that the Committee of the 21 decided, in the same draft resolution, that these studies should be prepared by the secretariat of the Inter-American Economic and Social Council using, so far as possible, the relevant studies and reports available in the various countries and in the competent national and international organizations and requesting their co-operation of such organizations in carrying out the additional studies,

Taking into account that the execution of this study programme will be extremely valuable for the purpose of devising such measures as may

/contribute to

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contribute to the economic development of Latin America, which is the main objective of the movement that the Pan American Operation is designed to promote,

Recognizing the experience and authority which the ECLA secretariat has acquired in economic development by means of its constant and valuable inquiries, research work and studies;

Recommends the secretariat:

(a) to place at the disposal of the Inter-American Economic and Social Council the information, reports and other material in its possession which may be of use in the execution of the programme of studies mentioned above;

(b) to give the secretariat of the Inter-American Economic and Social Council, without prejudice to its own programme of work, all the technical co-operation in its power, thus contributing to the prompt and effective execution of the said studies.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

Committee II

ENERGY AND WATER RESOURCES

The Economic Commission for Latin America,

Whereas the existence of vast hydroelectric potential in Latin America,

Whereas in recent ECLA research (see E/CN.1/501) this potential was estimated at 120 million kW,

Whereas the same research shows that only about 5 per cent of this potential has been developed,

Whereas the uses of water as a means toward the economic development of the countries of the region are increasing daily,

Whereas the development of hydroelectric and similar resources promote the rapid growth of the country's over-all economy, mainly on account of the following factors: (a) a basic natural resource is utilized; (b) a high percentage of investment is spent within the country; (c) the use of non-renewable sources of energy decreases and, in many cases, the flight of foreign exchange for purchases of imported fuels is avoided,

Whereas there is an obvious shortage of the technicians required for the development and operation of hydroelectric and other kindred projects in the Latin American countries,

Whereas only through integrated programming studies can the maximum yield be obtained from a region's water resources,

Whereas

Whereas experience has shown most of the Latin American countries to have been unable to carry out the aforementioned studies owing to their complexity and to the want of appropriately qualified personnel,

Decides:

1. To request the secretariat to explore the possibility and desirability of setting up a Latin American centre for programming the development of hydroelectric and similar resources, which might also be used as a training centre for technicians;
2. To suggest that this centre should utilize, as a basis of the first importance for training purposes, specific studies requested by member countries;
3. To propose that this centre should enter operation at the earliest possible date.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

COMMITTEE II

DRAFT RESOLUTION PRESENTED BY THE DELEGATION OF PANAMA

The Economic Commission for Latin America,

Having studied secretariat document E/CN.12/526, containing the report of the Mission sent to Latin America by the International Atomic Energy Agency, and,

Considering the increasing importance of the study and application of atomic energy,

Considering the lack of personnel trained in the different branches of atomic energy,

Considering that, in Latin America, private enterprise has not yet found it necessary to engage in atomic energy research and development, in order to meet immediate needs.

Considering that, in these circumstances, it is the direct responsibility of Governments to encourage the necessary study and research that will provide the technical personnel that each country will require in future,

Decides:

1. To recommend to the Latin American Governments that they should officially organize the study of all matters connected with atomic energy;
2. To recommend that that support should be given to the studies undertaken by the International Atomic Energy Agency;

/3. To request



3. To request the Governments that have not yet established them, to organize programmes suitable to their capacity, which would include the training of personnel in the various branches of the generation and utilization of nuclear energy and its derivatives.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

Committee I

DRAFT RESOLUTION PRESENTED BY THE DELEGATIONS OF GUATEMALA,  
MEXICO, PANAMA, UNITED STATES OF AMERICA AND VENEZUELA

The Economic Commission for Latin America,

Recognizing that appreciable progress has been made in Latin American statistical development in the last few years, on the one hand, because of the growing understanding of the importance of statistics as a factor on which to base intelligent decisions and formulate Government policy and, on the other, because of Government action and professional and inter-governmental activities aimed at strengthening statistical services, among which the activities of international organizations and those relating to bilateral programmes warrant special mention,

Whereas the projects carried out by the different Governments with the collaboration of various international organizations - such as the population and agricultural censuses and the formulation of standards for various statistics - are extremely useful, not only because of the valuable information they provide but also because they help to improve professional training and instruction in statistics at the national level,

Whereas, owing to the conditions in which such statistical development has taken place, shortcomings and omissions exist which cannot be underestimated and which require constant attention on the part of Governments and international organizations,

Whereas, in order to remedy these deficiencies and omissions, the

/Following solutions

following solutions, inter alia, might be suggested: (a) the provision of national statistical services with adequate administrative and financial resources to enable them to carry out their work efficiently; (b) the creation of an administrative career service for professional statisticians which would ensure the collaboration of trained personnel; (c) the co-ordination of national statistics in order to avoid duplication, reduce costs and improve their quality; and (d) the more intensive use of modern techniques,

Whereas, in relation to the priority that might be given to the different national statistics, it would be advisable to prepare, in every country, a joint programme which would include the statistics required for the preparation and checking of economic development plans,

Whereas meetings of working groups of experts responsible for specific national statistics, in order to exchange information on methods and look for solutions to common problems, are an excellent means of improving the aforesaid national statistics,

Whereas, in view of the fact that the projected industrial censuses are soon to be taken in many Latin American countries and of their relationship with the respective continuous statistical series, it would be of particular interest to hold one of these meetings at the earliest opportunity in order to discuss industrial statistics;

Decides:

1. To request the secretariat to prepare, in consultation with the United Nations Statistical Office, the Inter-American Statistical Institute

/and other

and other organizations concerned, and using the Basic list of statistics for economic development, a minimum programme, adapted to conditions in the Latin American countries, of statistics required for the formulation and checking of economic development plans;

2. To recognize that, in order to make genuine progress in Latin American statistics, effective measures should be adopted, namely:

(a) the organization of national statistical services, in order to ensure that they have proper administrative status and satisfactory relations with the authorities responsible for economic development policy, as well as adequate budgets and administrative resources;

(b) the establishment of standards for the compilation and processing of data, and the application of modern methods of study and research;

3. To recommend to the secretariat that, in active co-operation with the Governments of the Latin American countries, the United Nations Statistical Office, the Inter-American Statistical Institute and other specialized agencies concerned, it should prepare a plan for a meeting, in 1960, of a working group composed of national experts in continuous industrial series and census statistics, to study in detail and to exchange views on the measures required to carry out such censuses and allied surveys which would contribute to economic development programming. To the extent that resources are available and the opportunity presents itself, similar steps might be taken in regard to other important statistics for economic development analyses. In order to facilitate the execution of these plans, assistance would be requested from international and bilateral technical assistance programmes.

## ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth session

Panama, 14 May 1959

## COMMITTEE I

## ADVISORY GROUP FOR PROGRAMMING ECONOMIC DEVELOPMENT

Memorandum by the Department of Economic and  
Social Affairs

In order to meet the expressed needs of Latin American governments for assistance on their problems of programming economic development through the fullest co-ordinated use of the resources of the United Nations, and to augment those resources for the purpose, a joint ECLA/TAO programme will establish an "Advisory Group for Programming Economic Development".

Objectives

The purpose of the Advisory Group will be:

1. To respond to requests of governments for technical assistance in economic programming, such as:
  - (a) The organization or strengthening of economic programming institutions (ministries, boards, committees, institutes) as may be appropriate and desired by the requesting government;
  - (b) The training of staff for such institutions or other government agencies for economic appraisal, analysis, projection, and related work in economic development matters;
  - (c) Preparation and evaluation of specific development programmes or projects;

/(d) Provision

(d) Provision of economic intelligence and advice.

2. The development of personnel and methodology for meeting more efficiently and promptly the needs of Latin American governments for advice in economic development and related fields, by utilizing a continuing staff in this field.

### Principles

The Advisory Group will serve governments at their request in conformity with the resolutions governing the United Nations technical assistance programme and the "guiding principles" annexed to resolution 222 (IX). In brief, the work of the Advisory Group will be undertaken only at the request of governments through their channels for requesting technical assistance and by agreement with them. No one will be assigned to work with the Advisory Group for a government without prior agreement of that government.

The Advisory Group will make no studies on its own account or undertake any other work or responsibilities other than the project as agreed by the recipient government. All reports made to the government will be restricted until derestricted by mutual consent of the government and the Director of the Advisory Group.

### Organization

The Advisory Group would be made up of members selected from the staff of ECLA or other experts employed especially for the purpose. In either case, they become a part of the "Advisory Group" only when employed on a technical assistance project in response to a government request. All

/members of

members of the Advisory Group will be agreed between ECLA and TAO and subject to the approval of the requesting government.

Members of the Advisory Group would report to a Director who would be responsible for supervising the work of the group. The Director would be responsible to the Executive Secretary of ECLA on all substantive matters. In programming the work of the Group he may have direct correspondence with the Bureau of Technical Assistance Operations.

The Advisory Group would be made available to requesting governments as a team, with terms of reference and individual job descriptions determined in each case in consultation with the government and reviewed by the TAO. In general, a team leader or coordinator would be included in each project undertaken by the Advisory Group. The method of reporting to him and the periodicity of reports would be determined in each case by the Director. Reports on the work of the Advisory Group would be made to TAO by the Executive Secretary of ECLA in accordance with an agreed schedule on each project undertaken by the Advisory Group.

#### Financing the Advisory Group

All costs of the Advisory Group including salaries, travel and allowances will be borne by the TAO in accordance with the usual practices on the technical assistance programme, except that the salary of ECLA staff members made available for short periods (up to 3 months) will not be reimbursed by TAO. Recipient governments will be expected to pay the normal local costs on all Advisory Group projects in accordance with the usual TAB procedures.

/While the

While the Group will work principally in the requesting country, it is understood that in some instances they may be working on the project at ECIA headquarters for writing reports and similar related matters. In this case their salaries will be charged to the project as agreed by TAO and the requesting government.

Reimbursement for members of ECIA staff will be made to ECIA in such manner as will permit ECIA be free to use them to carry out its normal work.

#### Operations of the Advisory Group

Requests of governments for the Advisory Group or related projects made either to TAO, ECIA or elsewhere will be referred to ECIA and TAO for consultation before any agreement is reached on the request. All requests received outside the appropriate technical assistance channels will be brought to the attention of those channels through the Resident Representative if one is assigned to the government. Requests submitted as part of country programmes will be referred to ECIA for advice.

After consultation with TAO, the Director of the Advisory Group would normally consult with the requesting government (maintaining technical assistance channels) and work out the terms of reference of the project, individual job descriptions and a plan of operation.

Final approval of the project for the Advisory Group and its cost plan would be obtained through the TAO, in accordance with its standard procedures for project approval and financing.

/Upon approval



Upon approval of a project, its operation will be the responsibility of the Director of the Advisory Group who will undertake the management responsibilities usually handled by TAO, under the agreed project plan, including drafting job descriptions, selection and submission of candidates and reporting on the programme. The Director will utilize the technical assistance resident representative in the same manner as the TAO. It is understood that TAO will be kept fully informed of all (1) job descriptions, (2) candidates submitted to government, (3) experts in the field, (4) problems arising out of the operation of the project, and (5) results achieved.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

Committee I

DRAFT RESOLUTION PRESENTED BY THE DELEGATIONS OF CUBA AND VENEZUELA

The Economic Commission for Latin America,

Taking into account that the Central American Economic Co-operation Committee has presented a report on its activities (E/CN.12/492), reviewing those undertaken during the period February 1957 - June 1958; and that similarly, the secretariat has reported on the work carried out since that date (E/CN.12/517),

Considering that in June 1958 the Governments of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua signed the Multilateral Treaty on Free Trade and Central American Economic Integration and the Agreement on Central American Integration Industries, which have already been ratified by the legislative bodies of three of the signatories,

Bearing in mind that the signing of these agreements gives institutional force to the Central American common market and constitutes a decisive step towards the gradual integration of the five countries' economies, which lend themselves particularly well to such a process,

Whereas the Governments of the Central American countries have already begun work on the equalization of import duties, and to this end a draft Central American equalization agreement has been prepared

/and is

and is under consideration by the Governments with a view to its signature,

Decides:

1. To take note of the report presented by the Central Banks Economic Co-operation Committee, and of document E/CN.12/517, and to congratulate the Committee and its member Governments on having signed the treaties setting up the Central American common market, inasmuch as it constitutes an event of supreme importance for the countries concerned, as well as on the practical and efficacious manner in which the work of integration is being carried out;
2. To express its great interest in the continuance and if possible the intensification of the Committee's work with a view to the economic integration of Central America, which hitherto it has been carrying out with the efficient co-operation of the ECLA secretariat;
3. To declare its appreciation of the help given to the Economic Co-operation Committee by the United Nations Programme of Technical Assistance, especially by TAA, the ILO and FAO and also to thank the OAS for its co-operation in certain fields;
4. To request the secretariat and the technical assistance agencies participating in the programme to continue co-operating as actively as possible in the Central American Economic Integration Programme.

and to request the secretariat and the technical assistance agencies participating in the programme to continue co-operating as actively as possible in the Central American Economic Integration Programme.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

Committee I

DRAFT RESOLUTION ON THE IMPROVEMENT OF BUDGET PROCEDURES

PRESENTED BY THE DELEGATIONS OF BOLIVIA,

COLOMBIA, COSTA RICA, CUBA, URUGUAY AND VENEZUELA

The Economic Commission for Latin America,

Considering that in most of the Latin American countries a substantial proportion of the total annual investments is made through the public sector,

Considering that the budget procedures utilized in many Latin American countries could be improved so as to increase investment possibilities and encourage better use of other public resources,

Takes note with satisfaction of the project of the United Nations Fiscal Branch and of the ECLA secretariat to hold a seminar on budget presentation and preparation, and

Recommends that the secretariat in collaboration with the Technical Assistance Operations Office and other United Nations bodies, should carry out studies with a view to facilitating the adaptation by the Latin American Governments of the technical principles of budget presentation and preparation to economic development requirements, and provide training facilities for Government officials responsible for work connected with budgets.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

Committee II

DRAFT RESOLUTION PRESENTED BY THE DELEGATIONS OF BRAZIL AND CHILE

The Economic Commission for Latin America,

Considering (a) that the basic metal and metal transforming industries already play an important part in the Latin American economy, (b) that the demand for the products of such industries is expanding rapidly and requires a co-ordinated and rational development of the sources of production, (c) that the possibilities of intra-regional trade may be increased by means of a co-ordinated effort on the part of Governments, producers and consumers, (d) that the secretariat has carried out a number of studies on the basic metal and metal transforming industries, and held two conferences of experts, one at Bogota in 1952 and the other at Sao Paulo in 1956,

Recommends to the member Governments concerned that they set up a Committee on the basic metal and metal transforming industries, which with the assistance of associations of manufacturers and consumers, and in particular of the projected Latin American Iron and Steel Institute shortly to be established, would (a) promote the rational and integrated development of the metal-producing and consuming industries, (b) take note of the situation with respect to the resources and raw materials for these industries and of the installations, with a view to ascertaining any fundamental difficulties connected with development and recommending measures to promote the growth of the industries, (c) encourage the dissemination of statistical information

on the

on the supply of and demand for metal products, and of recent information on manufacturing processes, resulting from technological research and the adoption of new methods which affect the market for such products, (d) study, in co-operation with institutions for setting up standards and with associations of metal and metal products manufacturers, current specifications for these products, and collaborate in the establishment of regional standards with respect to the quality, and physical characteristics of the products in order to facilitate national, intra-regional and international trade, (e) foster intra-regional trade in metal products, (f) encourage intra-regional and international co-operation in research into raw materials by the metal transforming industries and in the training of technical personnel, (g) promote the execution of studies and the convening of a group of experts, as considered necessary for the development of the aforesaid industries or for the expansion of their markets.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

Committee II

DRAFT RESOLUTION PRESENTED BY THE DELEGATIONS OF CHILE, CUBA,  
ECUADOR AND VENEZUELA

The Economic Commission for Latin America,

Considering the importance of the adequate utilization of water resources for Latin America's economic development,

Considering that, pursuant to resolution 99 (VI), a preliminary study has been undertaken of the situation as regards water resources in Latin America and their present and future utilization and that special studies have been carried out in connexion with Chile, Northern Patagonia (Argentina) and Ecuador,

Considering that the work undertaken under the aforesaid resolution is progressing satisfactorily,

Considering that in carrying out the resolution in question invaluable assistance has been rendered by several of the international bodies concerned, especially the Technical Assistance Administration and the World Meteorological Organization,

Decides:

1. To request the secretariat to continue the work began with the aim of extending the studies in progress to other countries and river basins in Latin America;

2. To request

2. To request the Technical Assistance Operations Office, WMO and other interested agencies to continue their co-operation with the secretariat in these studies;

3. To request the secretariat to enter into communication with the Special United Nations Fund for Economic Development, so as to enable the studies undertaken, apart from their practical value for the countries concerned, to benefit the participants in the said Fund with respect to the utilization of water resources.



ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

Committee II

DRAFT RESOLUTION ON BASIC INDUSTRIES PRESENTED BY THE DELEGATIONS OF  
COLOMBIA AND VENEZUELA

The Economic Commission for Latin America,

Considering, that various Latin American countries are making great efforts as was pointed out at the recent meeting of consultants on trade policy at Caracas, to establish or expand basic industries, such as the iron and steel and petrochemical industries, which require broad markets and heavy investment,

Considering that the greater part of the programmes for the establishment or expansion of such industries are still at an early stage and can therefore be directed towards optimum productivity, provided that they are able to depend upon a demand exceeding that of local markets,

Considering that it is advisable to give promoters and those responsible for such industries the opportunity of acquainting themselves with the effective possibilities offered by the Latin American common market for their products in the near future,

Considering that it is undeniably important for the better utilization of capital, technical processes and labour to avoid unnecessary duplication by means of a co-ordinated policy of specialization for the purpose of supplying the aggregate demand in the aforesaid regional market,

Takes note with satisfaction of the studies already undertaken by ECLA in this field; and

Decides to request the ECLA secretariat to convene panels of experts on the  
/basic industries,

basic industries, especially the iron and steel and petrochemical industries in order to study as a whole the regular programmes in Latin America, and to suggest possibilities for the specialization of production with a view to reaching optimum productivity in each of the branches already established or to be established in the region.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth session

Panama City, Panama, 14 May 1959

Committee II

DRAFT RESOLUTION PRESENTED BY THE DELEGATION OF COLOMBIA

The Economic Commission for Latin America,

Considering that the economic development of Latin America calls for a sustained effort to create new industries,

Considering that the metal transforming industries are of special significance for economic development, since besides training labour that can be used for general purposes they help to reduce dependency upon external sources of supply of capital goods,

Considering that the metal transforming industries, taken as a general category, cover a wide variety of activities with differing degrees of technical complexity,

Considering that it would be very useful for countries at the initial stages of industrial development to have at their disposal such background data and experience as would enable them to decide which of the metal transforming industries it would best suit them to develop, with due regard to the degree of development, resources and markets of the various countries,

Decides to recommend to the secretariat that it carry out a study of the technical and economic characteristics of the metal transforming industries and of the problems arising out of their establishment or expansion in the countries of Latin America.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

COMMITTEE II

DRAFT RESOLUTION PRESENTED BY THE DELEGATION OF BRAZIL

The Economic Commission for Latin America,

Considering that the maintenance of the same rate of economic development as was registered by Latin America in the past, as well as the prospects opened up by the common market, call for an intensification of efforts to promote industrialization,

Considering that in many of the Latin American countries industrial development is encountering serious obstacles deriving from the institutional structures of stages of development and of industrialization that have now been left behind,

Considering that this maladjustment between the institutional system and the claims of an energetic industrialization process which could help to expedite the improvement of living standards assumes manifold forms, such as under-development of domestic capital investment markets, inadequate industrial credit systems and deficient industrial legislation,

Considering that measures of economic policy in the monetary, exchange, fiscal, foreign trade control and other fields exert a considerable influence on the industrialization process, and that such measures are often adopted without thorough awareness of their consequences for industrialization,

/Considering

Considering that the bodies responsible for the economic policy of the Latin American countries should be provided with data from which they can assess the influence of institutional factors on the industrialization process, as well as information on the relations between the industrialization process and over-all economic policy,

Decides:

1. To request the secretariat to carry out research on the institutional factors which help to accelerate or retard the rate of industrial development in Latin America. Studies on industrial legislation, financing, dissemination of techniques, marketing, development institutions, tariffs and the promotion or formation of a spirit of enterprise are especially recommended;

2. To recommend to the member Governments that they co-operate actively and resolutely with the secretariat in order to facilitate the work assigned to it by virtue of the present resolution.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

COMMITTEE I

DRAFT RESOLUTION ON ECONOMIC DEVELOPMENT ADVISORY GROUPS PRESENTED BY  
THE DELEGATIONS OF CHILE, COLOMBIA, CUBA, PANAMA AND VENEZUELA

The Economic Commission for Latin America,

Considering that the Latin American countries are making great efforts to promote economic development policies;

Considering that the efforts to put these policies into practice have been hampered mainly by the lack of basic research, the inadequacy of the available machinery and procedures for programming and the scarcity of specialized personnel,

Considering that the investigations into the economic development of the Latin American countries, and the training courses conducted by the secretariat have helped to solve a part of these difficulties,

Considering that the ECLA secretariat and the Bureau of Technical Assistance Operations may, by acting in co-ordination, make a still more important contribution to the solution of the difficulties mentioned above,

Considering that, in compliance with resolution 137 (VII), the secretariat has reported (E/CN.12/518) the establishment of an ad hoc advisory group, in collaboration with the Bureau of Technical Assistance Operations which is lending its services to a Latin American country, and having heard the statement by the Commissioner for Technical Assistance on this subject,

Takes note with satisfaction of the initiation of activities by the economic development advisory group organized jointly by the secretariat

/of the

of the Commission and the United Nations Bureau of Technical Assistance Operations, and

Expresses its great interest in the continuation of this type of activity, whenever requested by member Governments for the purpose of giving more extensive co-operation in:

(a) the establishment of machinery which would facilitate, in practice, the co-ordination of economic policy, and

(b) the training of Government officials wherever required, through their participation in investigations, programmes and projects in which an advisory group would take part as well as through their participation in intensive courses.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

DRAFT RESOLUTION PRESENTED BY THE CHAIRMAN OF THE COMMITTEE ON  
THE APPRAISAL OF THE PROGRAMME, 1959-64

The Economic Commission for Latin America

Taking note of the decision of the Economic and Social Council in resolution 664 (XXIV) calling for an appraisal of the scope, trend and cost of the regular United Nations programmes in the economic and social fields for the period 1959-64, and

Being of the view that the appraisal of the Commission's programme of work over the period 1959-64 as set out in the Executive Secretary's report entitled Preparation for programme appraisal for 1959-64 (E/CN.12/500), reflects the progressively important role that the Commission can play in undertaking valuable studies and promoting concerted action in a number of fields relating to the economic development of Latin America.

Endorses the general line of the Executive Secretary's report referred to above;

Notes with satisfaction that the Commission's programme of work and priorities for 1959-60 takes into account the proposals made in the report, and

Requests the Economic and Social Council and other appropriate organs of the United Nations as may be appropriate to give sympathetic consideration to the proposals contained in the Report.



ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

Committee II

DRAFT RESOLUTION PRESENTED BY THE DELEGATIONS OF ARGENTINA AND THE  
NETHERLANDS

The Economic Commission for Latin America

Considering the rapidly rising consumption of pulp and paper products in Latin America and the growing import needs,

Considering the potential resource of raw materials for pulping which exist in Latin America,

Considering the need for regional coordination in the development of the pulp and paper industry in order to secure better use of natural resources and better coverage of various needs of the area,

Estimating that the need of studying the possibilities of further development in the field of pulp and paper both on national and regional basis is increasing in importance and that the necessity of giving adequate and rational advice to this development continues to be desirable,

Expressing the satisfaction for the work done until now by the Joint FAO/CEPAL/TAO Pulp and Paper Advisory Group.

Recommends to the Governments:

1. To continue to utilize the services of the Group;
2. That the necessary measure be taken to secure the continuation of its beneficial activities in the region.

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama, 14 May 1959

Committee I

DRAFT RESOLUTION PRESENTED BY THE DELEGATION OF PANAMA

The Economic Commission for Latin America,

Considering that the intensification of foreign trade determines and favours the normal growth of national economies,

Considering that free-trade areas facilitate commodity trade among the different nations by bringing the supply and demand for goods into contact with one another,

Considering that the Republic of Panama has established a free zone in the town of Colón which, by virtue of its strategic position on international ocean routes, has become an excellent site for the display of goods, and is therefore promoting the development of international economic relations;

Decides to request member Governments to consider the possibility and advantage of establishing, in the free zone of Colón, a permanent pavilion for Latin American products, as well as periodic trade-fairs which would help to facilitate commercial transactions between Latin America and the rest of the world.

Conference Room Paper No. 27

ECONOMIC COMMISSION FOR LATIN AMERICA

Eighth Session

Panama City, Panama; 14 May 1959.

COMMITTEE I

DRAFT RESOLUTION PRESENTED BY THE DELEGATIONS OF BRAZIL, CHILE,  
ECUADOR, GUATEMALA, UNITED STATES AND URUGUAY

WHEREAS, Latin America needs to utilize private initiative and capital, both domestic and foreign, to the utmost if it is to realize its maximum development potential;

WHEREAS, it is desirable that Latin American countries be fully aware of the contribution which private investment might make to economic progress;

WHEREAS, it would be desirable in this connection to promote, both among the general public and among government agencies concerned with the planning of economic development, a broader understanding of the complementary roles of private enterprise and public investment;

THE COMMISSION RECOMMENDS TO THE SECRETARIAT:

1. that the Secretariat complement the curriculum of the ECLA/IAO Economic Development Training Program by establishing therein a comprehensive course of studies directed to the role of private enterprise in economic development, including its relationship to governmental programs and policies, and covering, inter alia, such subjects as:

means for stimulating private savings and channeling them into productive investments (through such institutions as investment companies, building and loan associations, etc.);

encouragement of industry;

/ business taxation

business taxation, including tax incentives;

stimulation of competitions;

attraction of foreign investment;

the relation of government to business in representative industrialized countries;

labor-management relations.

2. that the ad hoc training programs, conducted from time to time under the joint auspices of ECLA and IAO in various Latin American countries at their request, contain representative courses on private investment.



ACIONES UNIDAS

CONSEJO  
ECONOMICO  
Y SOCIAL



(E/CN.12/VIII) D.S.C. 28

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S&E SPANISH:

COMITE III  
Asuntos Generales  
PROGRAMA DE TRABAJO Y ORDEN DE PRELACION 1959-1960.



NACIONES UNIDAS

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(E/CN.12/VIII) D.S.C. 28/Add.  
y Corr. 1.

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SEE SPANISH:

Addenda y Corrigenda al  
PROGRAMA DE TRABAJO Y ORDEN DE PRELACION 1959-60.

ECONOMIC COMMISSION FOR LATIN AMERICA

.. Eighth Session

Panama City, Panama, 14 May 1959

REPORT OF THE SECOND SESSION OF THE TRADE COMMITTEE

Draft resolution presented by the delegation of Chile

The Economic Commission for Latin America,

Considering that the Trade Committee, created by virtue of resolution 101 (VI), has presented at this eighth session the report of its second session, at which highly important resolutions designed to promote the establishment of the common market were adopted,

Decides:

1. To take note with satisfaction of the report of the second session of the Trade Committee;
2. To request the secretariat to accord the highest priority to the work recommended in the various resolutions adopted by the Trade Committee, so that the Committee may be able to hold its third session at the earliest possible date.

UNITED NATIONS  
Economic Commission for Latin America  
Eighth Session

ORDER OF THE DAY

Thursday, 14 May 1959

(Main Hall)

OPENING MEETING

6 p.m.

1. Inaugural address by His Excellency Ernesto de la Guardia, Jr., President of the Republic.
2. Address by Mr. Dag Hammarskjöld, Secretary-General of the United Nations.
3. Address on behalf of the delegations by His Excellency José Antonio Mayobre, Minister of Finance of Venezuela.

After the meeting, the delegations to the eighth session of the Commission will be received by His Excellency Ernesto de la Guardia Jr., President of the Republic, in the Presidential Palace.



ORDAY/2

UNITED NATIONS  
Economic Commission for Latin America  
Eighth Session

ORDER OF THE DAY

Friday, 15 May 1959

(Main Hall)

10 a.m.

1. Election of Chairman, two Vice-Chairmen and Rapporteur.
2. Statement by the Chairman.
3. Adoption of the agenda.
4. Establishment of committees

Documents: Conference Room Paper No. 1.

5. Statement by the Executive Secretary.
6. General debate and consideration of the economic situation

Documents: Economic Survey of Latin America, 1958  
(E/CN.12/498 and Add.1)  
Economic Bulletin for Latin America, Vol. III, No. 2,  
and Vol. IV, No. 1.

3 p.m.

General debate (continued).

UNITED NATIONS

Economic Commission for Latin America

Eighth Session

ORDER OF THE DAY

Saturday, 16 May 1959

(Main Hall)

9 a.m.

Continuation of the general debate

Statements by the delegations of Bolivia, Colombia, United Kingdom of Great Britain and Northern Ireland, Netherlands, United States of America and Guatemala (on behalf of the five Central American Republics)

3 p.m.

Continuation of the general debate

Statements by the delegations of Argentina, Cuba, Chile, Poland, Union of Soviet Socialist Republics, Inter-Governmental Committee for European Migration (ICEM) and delegations of other countries and organizations which wish to enter their names on the list of speakers

ECONOMIC COMMISSION FOR LATIN AMERICA  
Eighth Session  
Panama City, Panama, 14 May 1959

ORDER OF THE DAY

Monday, 18 May 1959

Main Hall

9.45 a.m.

Establishment of Committees

10:00 a.m.

Committee I. Economic development

Economic development problems and policy (agenda item 6)

Conference Room 1 (Library)

10:00 a.m.

Committee III. General business

Amendment of the Commission's terms of reference and rules  
of procedure (agenda item 14)

Main Hall

3:00 p.m.

Trade Committee

Discussion of the Rapporteur's report (E/CN.12/C.1/15)  
and consideration of the draft resolutions presented

Conference Room 1 (Library)

Committee II. Economic sectors

Economic problems of agriculture (agenda item 11) (in cooperation  
with FAO)

- (a) Problems arising out of the trade balance in agricultural commodities of the various Latin American countries and the possibilities for integrating agricultural development in the region.
- (b) Necessity of carrying out a study of timber trends and prospects in Latin America.

UNITED NATIONS  
Economic Commission for Latin America  
Eighth Session

ORDER OF THE DAY

Tuesday, 19 May 1959

(Panama Hilton, Balboa Room)

8 a.m.

Committee I. Statistical Sub-Committee

Meeting of Working Group to prepare a recommendation  
for submission to the Sub-Committee.

(Main Hall)

9 a.m.

Committee I. Economic development

Consideration of agenda item 6 (continued)

(Conference Room No.1 - Library)

Trade Committee

Consideration of draft resolutions presented.

(Main Hall)

3 p.m.

Committee I. Economic development

Consideration of agenda item 7 (Technical assistance)

(Conference Room No.1 - Library)

Committee II. Economic sectors

Continuation of the debate and presentation of draft  
resolutions by delegations (agenda item 11)

/(Room 12,

(Room 12, First Floor)

5 p.m.

Committee I. Statistical Sub-Committee

Consideration of the Working Group's recommendations

Important note. In order to end the present session this week, delegations intending to present draft resolutions are requested to hand them to-day to the respective Committee Secretaries:

- Committee I - Mr. Jorge Ahumada
- Committee II - Mr. Carlos Quintana
- Committee III - Mr. Guy Trancart

UNITED NATIONS  
Economic Commission for Latin America  
Eighth Session

ORDER OF THE DAY

Wednesday, 20 May 1959

(Main Hall)

9 a.m.

Committee I. Economic development

Consideration of agenda items 7 and 8 (continued).

(Conference Room No. 1 - Library)

Committee II. Economic Sectors

(a) Consideration of a resolution in connexion with  
agenda item 11;

(b) Consideration of agenda item 9.

(Main Hall)

3 p.m.

Committee I. Economic development

Consideration of resolutions.

(Conference Room No. 1 - Library)

Committee III. General business

Consideration of agenda items 13 and 15.

ORDER OF THE DAY

Thursday, 21 May 1959

9 a.m.

(Main Hall)

Committee I. Economic development

Consideration of resolutions (continued)

(Conference Room No.1 - Library)

Committee II. Economic sectors

Consideration of item 10 on the agenda and relevant resolutions

3 p.m.

(Main Hall)

Committee I. Economic development

Consideration of resolutions (continued)

(Conference Room No.1 - Library)

Committee II. Economic sectors

Consideration of resolutions relating to item 10 on the agenda (continued)

\*  
if necessary.

UNITED NATIONS  
Economic Commission for Latin America  
Eighth Session

ORDER OF THE DAY

Friday, 22 May 1959

(Main Hall)

10 a.m.

- Committee I. Adoption of the Rapporteur's report
- Committee II. Adoption of the Rapporteur's report (continued)

(Conference Room No. 1 - Library)

10 a.m.

- Committee III.
1. Discussion of draft resolution on the appraisal of the programme for 1959-64 (Conference Room Paper No. 24)
  2. Discussion on the draft programme of work and priorities (E/CN.12/529/Rev.1)
  3. Rapporteur's report

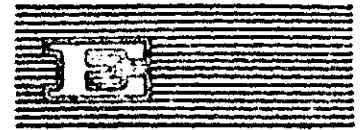
(Main Hall)

4 p.m.

Plenary meeting of the Commission

1. Report of the Trade Committee (E/CN.12/C.1/15)
2. Report by the Rapporteur of Committee I and adoption of resolutions
3. Report by the Rapporteur of Committee II and adoption of resolutions
4. Report by the Rapporteur of Committee III and adoption of resolutions
5. Adoption of the programme of work and priorities (E/CN.12/529/Rev.1)





NACIONES UNIDAS

CONSEJO  
ECONOMICO  
Y SOCIAL



(E/CN.12/VIII) ORDAY/9

OUT OF STOCK  
SEE SPANISH:

ORDEN DEL DIA  
Sábado 23 de mayo de 1959.