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ECONOMIC COMMISSION FOR LATIN AMERICA

Fifth Session

SUMMARY RECORD OF THE  
FORTY-SEVENTH MEETING

Held at Rio de Janeiro on Monday,  
13 April 1953 at 3.30 p.m.

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General debate (continued)

PRESENT:

<u>Chairman:</u>	Mr. EUVALDO LODI	Brazil
<u>Rapporteur:</u>	Mr. ECCHER	Uruguay
<u>Members:</u>	Mr. COOKE	Argentina
	Mr. CEVALLOS TOVAR	Bolivia
	Mr. DECIO DE MOURA	Brazil
	Mr. PAIVA LEITE	
	Mr. MARTONES	Chile
	Mr. ISAZA	Colombia
	Mr. SILVERIO	Cuba
	Mr. GARRIDO	Dominican Republic
	Mr. CRESPO ORDÓÑEZ	Ecuador
	Mr. GLOWER V.	El Salvador
	Mr. DE TINGUY DU POUET	France
	Mr. NORIEGA MORALES	Guatemala
	Mr. HUDICOURT	Haiti
	Mr. MARTINEZ BAEZ	Mexico
	Mr. JONG BAW	Netherlands
	Mr. CANTARERO	Nicaragua
	Mr. URBIETA FLEITAS	Paraguay
	Mr. BARRETO	Peru
	Mr. McCULLOUGH	Republic of Panama
	Sir GEOFFREY THOMPSON	United Kingdom
	Mr. BOHAN	United States

/Also present

Also present:

Representatives of specialized agencies:

Mr. SILBERER	International Labour Organization (ILO)
Mr. MARRAMA	Food and Agriculture Organization (FAO)
Mr. LARSEN	International Bank for Reconstruction and Development (IBRD)
Mr. DEL CANTO	International Monetary Fund (IMF)
Mr. ROBICHEK	
Mr. FERREIRA	World Health Organization (WHO)
Mr. JUNQUEIRA SCHMIDT	World Meteorological Organization (WMO)

Representative of an inter-governmental organizations:

Mr. TAYLOR	Inter-American Economic and Social Council (IA-ECOSOC)
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Representatives of non-governmental organizations.

<u>Category A</u>	Mr. STEBELSKI	International Chamber of Commerce (ICC)
	Mr. ARAUJO	International Confederation of Free Trade Unions (ICFTU)
<u>Category B</u>	Mrs. FONSECA	International Council of Women
	Mrs. MOURA	
	Mr. LUZ FILHO	International Co- operative Alliance

/Secretariat:

<u>Secretariat:</u>	Mr. PREBISCH	Executive Secretary
	Mr. SANTA CRUZ	Secretary of the Conference

GENERAL DEBATE (Continued)

Mr. HUDICOURT (Haiti), in expressing his delegation's satisfaction with the admirable work of the Secretariat in preparation for the Commission's fifth session, paid a particular tribute to the Executive Secretary and his wide grasp of Latin-American affairs.

ECLA's operations had succeeded in arousing an awareness and preoccupation regarding the economic future and problems of economic development, particularly in the smaller Latin-American countries, greatly in contrast to their traditional policy of laissez-faire, with its recurrent cycles of prosperity and depression. It was the growing realization that such a situation had endured too long that had led to the creation of the Commission.

At the Commission's first session, most delegations had found themselves unable to convey a truly objective picture of the economic situation in their countries, for the simple reason that the requisite economic data, based on statistics and scientific research were completely lacking.

Since that time, much leeway had been recovered and the distance still to be travelled in overtaking the industrialized countries should not be allowed to detract from past achievements.

As a first step in Haiti the Government had applied for United Nations aid in 1949, to appraise the existing situation /and make...

and make recommendations for promoting economic development and raising living standards. In so far as financial and technical difficulties would allow the measures advocated had been carried out and now a skeleton basis on which to rest future economic development existed. The first census in Haiti had been carried out in 1950 and an Institute of Statistics established, so that he was now in a position to give exact figures of the population (3,600,000) and its annual rate of increase (300,000). Furthermore, the widespread tendency of population shift from rural to urban areas had been observed and recorded. Through the Institute of Statistics it had also been possible to compute Haiti's over-all production for 1952 (200 million dollars) and to determine and observe production trends, price relationships, movements of chief export productions and their effect on the international economy and so on. The general production index for 1952 had shown a 3 per cent rise over that of 1951. Moreover, purchasing power had been analyzed. Wages in urban areas had risen in the past two years by 6 per cent to 25 per cent in such trades as building, while tending to remain more or less static in agriculture. The steady advance of the tourist industry in the past four years had permitted the Government to finance the development of hotels.

The stress laid by the United Nations mission on the pressing need for increasing and improving agricultural production had led the Government to undertake a most ambitious development programme, expected to cost over 2 million dollars.

/A large

A large region in the Arbonite valley, hitherto unexploited because of irrigation and drainage problems, was to be reclaimed by means of a barrage dam which would serve to irrigate some 35,000 hectares of land and at the same time produce 45,000 KW of hydro-electric power.

With the object of improving communications, several hundred kilometres of roads, linking the chief production areas had been constructed, as well as airfields and landing grounds.

The United Nations mission had cited the poor fiscal and monetary systems as a serious obstacle to progress. An expert to advise on the necessary reforms had been requested and changes would shortly be introduced. An agricultural and industrial credit institute had been established and Haiti was now a member of the International Monetary Fund and the International Bank for Reconstruction and Development. Further recommendations of the mission relating to public health, education and labour had also been adopted. The difficulties due to the lack of trained technicians had been easy to overcome thanks to the help of the United Nations, the specialized agencies, the Organization of American States and the United States Point IV programme. There were some 20 experts currently in Haiti, lending their aid in various phases of development operations. In addition, Haiti had taken advantage of the scholarship programmes of the United Nations and specialized agencies for forming and expanding international technical cadres.

/Unfortunately, however,

Unfortunately, however, it was not so easy to dispose of the chief difficulty, financing. The ever-growing movement of population towards the towns made some measure of industrialization essential for Haiti. And the present trend towards lower prices for the chief export products would undoubtedly influence and reduce available capital within the country. There was therefore only one recourse - resort to foreign capital, and since some time must still elapse before the International Finance Corporation and Special Fund contemplated by the United Nations would begin to function, governments had to seek aid wherever it could be obtained. The Export-Import Bank had granted Haiti a credit of 14 million dollars for its Artibonite project, but much more foreign capital was still needed in order to maintain and speed up the country's economic development.

The Haitian delegation welcome the study on planning methods prepared by the Secretariat; it would be of value to Haiti in setting up its contemplated planning board. Once plans had been prepared and an order of priority set, however, the problem of financing would still remain. The Haitian Government trusted that a joint solution for that common difficulty would be found by all the Latin-American countries.

He concluded by thanking the Brazilian delegation for its hospitality.

The CHAIRMAN greeted Mr. Negrão de Lima, the Brazilian Minister of Justice, in the name of the Commission and invited him to take a seat at the Commission table.

/Mr. NEGRÃO

Mr. NEGRÃO DE LIMA, Brazilian Minister of Justice, thanked the Commission and observed that his interest in its important work for the wellbeing of the people of Latin America had prompted his visit.

Mr. MARTONES (Chile) stated that Chilean policy was at all times guided by the interests of the Americas and it was in that spirit that Latin-American problems had been approached.

Chile was giving much thought to certain fundamental aspects of its economic development, especially to electric power, liquid fuels and the iron and steel industry, which constituted the basis for the country's manufacturing activities.

He contrasted the remarkable development of industry with the slight expansion of agriculture and the moderate improvement of mining activities. The lack of balanced development had led to serious repercussions on Chile's economy, particularly to insufficient food production. Hence the Government had decided to lay special stress of the development of agriculture.

In referring to the planning of a balanced economy in Chile he wished to thank ECLA for its consideration of the studies and methods of the Corporación de Fomento, which had ultimately led to the selection of his country as a model of technical work.

He spoke of the problem of inflation and described the measures to be adopted to counteract it.

/No orderly

No orderly economic development could take place while inflation was in progress.

The action taken included the centralization of monetary policy in an institution with powers to control the effects of inflation, to channel private capital towards economic development and to revise the programme of private and state investments, consolidating them in a single plan of State investment.

Foreign capital investment had been mentioned as one of the means of stimulating industrial growth; his Government proposed to offer guarantees for investment of that nature, on conditions of fair and reciprocal compensation.

Among the immediate plans being studied in Chile, reference should be made to the continuation of the electrification programme, the development of the pulp and paper industry, the expansion of iron and steel manufacture, the establishment of a heavy chemical industry, the improvement of working methods in the nitrate industry and the expansion of coal and petroleum workings.

The future development of Chile held out great promise.

There would be a more rational and intensive utilization of agricultural resources.

Chile was particularly well-suited by nature for the planting of pine forests. The area planted (300,000 hectares approximately) would be sufficient to produce about 750,000 tons of paper and 500,000 tons of pulp, so that his country

/would become

would become one of Latin America's principal suppliers of those products. Another outstanding factor was Chile's iron and steel industry. A total output of 500,000 tons by 1958 would be adequate to meet growing domestic consumption and even allow for an exportable surplus. Substantial foreign investments were being planned for the copper mines, and new methods of processing nitrates were being studied with a view to the recovery of several by-products. The success of those projects depended on the development of Chilean energy resources. A large proportion of the capital now being invested in Chile was being applied to the exploitation of energy resources and plans were already under way for the development of electric power, petroleum and coal. Those projects might provide a solution for the problem of the balance of payments, and should improve the income levels of the population. However an effective contribution from abroad was required. If the economic integration of Latin America was to become a reality, Chile would contribute to it with all its resources.

The expansion of Latin-American trade was likely to play a vital part in strengthening the economies of the countries of the region, and the field of commercial activity should be widened. That could only be achieved at present by means of better bilateral agreements, with the ultimate object of multilateral trade. It was in that light that Chilean-Argentine trade had been examined and that the possibilities of the two countries supplementing each other economically had been considered.

/Mr. NORIEGA

Mr. NORIEGA MORALES (Guatemala) praised the work done by ECLA, particularly emphasizing the great progress made since it had first begun. He referred to the Economic Survey of Latin America 1951-1952 and to the Preliminary Study on Technique of Programming Economic Development, the second being the most original and novel contribution of a technical and practical nature made by the Commission. The study analysed the essential elements of Latin America's dynamic economy and at the same time pointed out the limitations to which these economies were subject in their evolutionary process. It also discussed Latin America's heavy dependence on foreign trade, the limited savings capacity of its working classes because of their incomes, and the low percentage of foreign investment which would help economic development. Within that programming, the aspects of fiscal and monetary policy might be invaluable elements for which purpose the analysis might be of great help. Problems of method had also been taken into consideration. He referred to the proposal presented orally by the Executive Secretary on the suitability of working towards the substitution of imports. He proposed that the Commission should go more deeply into those matters and suggested that the Latin-American countries might now enter the stage of manufacturing their own products, instead of exporting raw materials to consumer countries which in turn exported manufactured goods at extremely high prices. He agreed that the question was thorny; it required above all great understanding on the part of the countries which until now

/had been

had been responsible for such manufacturing. Those countries could for example, speak of the possibility of unemployment; but that could be offset by the fact that the increase of income in Latin-American countries would create a demand for more durable goods, and labour would be absorbed by factories producing machinery and equipment, electrical products and chemicals. The meeting of Central American Ministers of Economy held in 1952 had been a success and progress had been made in the programme of Central American economic integration and reciprocity, which was being carried out under the auspices of the ECLA and on which there was an excellent report by the Secretariat. The first meeting of the Committee on Economic Integration was attended by the Ministers of Economy, their advisers and the leading members of the ECLA Secretariat, and the essential principles for dealing with the programme of economic integration had been based on the studies presented by the Secretariat. The work on the Standardization of Tariff Nomenclature of the five countries which constituted that body was already completed. Moreover, the conclusions laid down in the ECLA report on agricultural credit were most useful. He also discussed the joint activity of ECLA with the United Nations Technical Assistance Administration, the training of economists and the scholarship programme which he hoped would be further increased. He commended ECLA's studies on the possibilities of extending to Latin America the machinery of the European Payments Union and was pleased to see with what objectivity ECLA had studied the problems of each country.

/Mr. du POUET

Mr. du POUET (France) wished first to express France's appreciation of the hospitality extended to the Commission by Brazil.

France warmly desired, and felt itself fitted, to take an effective part in the economic development of the Latin American countries. Prior to the Second World War, France had enjoyed a high standard of living, with a highly developed industry in the forefront of technical achievement. Out of its excess income, it had been able to place substantial investments abroad, thus making a significant contribution to the development of many other countries, including some in Latin America.

The destruction and ruin entrained by the war had reversed that situation, leaving France in 1945 bled white in men and resources and bereft of much of its best materiel. Nevertheless, it had set to with a will using planning techniques and economic studies such as those advocated by the Secretariat in order to overcome its difficulties. Basic efforts had been applied to the preparation of successive plans, to cover a period of several years, and guide public and private enterprise. The initial error of over-stress on industrialization had been remedied in the second plan, where agriculture had figured more largely, and it had been found that financial outlay in that sphere yielded a correspondingly higher return in increased productivity and national production.

France's parallel efforts in the technical field had also enabled it to retrieve its losses and regain its previous

lead in many spheres. It would be easy to adapt the techniques thus elaborated to the present day needs of Latin America.

France, too, had been obliged to resort to foreign private capital and by giving strong guarantees to investors had been able to attract necessary capital. No exchange restrictions on the recovery of foreign capital existed in France.

Thus France had not only recuperated her losses but had succeeded in raising its productivity by 50 per cent over 1938 figures. The birth rate had shown parallel progress and steps had been taken to ensure the equitable participation of all classes of the people in the benefits available.

In short, France was now able to offer more technical and commercial help than ever before to the Latin American countries, and was ready to put the benefits of her experience at their service, by furnishing experts and receiving students, either through the UN technical assistance programme or directly.

France's achievements in the paper and the iron and steel industries would enable her to make a particularly effective contribution to the development of those industries in Latin America, as well as in the equipment of new industries and the modernization of agriculture. The fact, too, that France had an adverse balance of payments with most Latin American countries removed any financial obstacles to increased trade and the resulting benefits would be mutual. The recent policy of France to maintain stability in its purchases could not be continued on a long term basis unless a corresponding stability in its sales could be achieved.

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In the reports submitted to the Commission, the importance of trade interchange between Europe and the Latin American countries had rightly been stressed. Such trade interchanges with Europe and with France in particular were essential if the Latin American countries were to achieve a balanced trade, especially in view of the current dollar shortage.

There could be no doubt that the bilateral character of much of the trading between Europe and Latin America since the second world war was an obstacle to the development of trade. France would therefore follow with care the discussions to be held on the relationship between the European Payments Union and Latin America.

He would not wish to close without stressing the great value of the work done by the ECLA Secretariat. Many of its studies contained ideas that could also be applied in France and, indeed, other European countries which were endeavouring to strengthen their economies. In the resolution transmitting the Commission's report to the Economic and Social Council the permanent interest of many of the policies advocated should be indicated.

From its inception, France had steadfastly supported ECLA and its belief in the need for the organization was now stronger than ever. In the spirit of solidarity and understanding, France would continue to offer its active collaboration for the solution of the economic problems facing Latin America.

Mr. DE LOURA (Brazil) again welcomed ECLA on behalf of the Brazilian Government.

The studies submitted by the ECLA Secretariat showed a strict sense of unity and a concern for economic development based on the scientific interpretation of economic factors. He expressed appreciation of the work done by ECLA and hoped that the efforts already made would serve as a pattern for its future action.

The economic survey of Latin America pointed out factors which had helped or retarded economic development in each  
/country. In

country. In his opening statement, the Executive Director had referred to the danger of a growing disequilibrium in the economic structure and foreign trade of the Latin American countries. The latter must either slow down their rate of development or else achieve a structural transformation of their economies which would enable them to replace imports by domestic production.

The only way to raise the standard of living of underdeveloped countries was through progressive industrialization, but such industrialization must be accompanied by the mechanization and technical development of agriculture.

ECLA'S study on the technique of programming showed that underdevelopment was a vicious circle based on low productivity and inadequate capital formation which precluded the possibility of further development. The problem of the economic development of the Latin American countries was entering a critical phase which required the adoption of new methods. Until recently, those countries had followed a laissez-faire policy, which had given satisfactory results in the United States and Europe but was not adapted to the Latin American economy, which had not yet emerged from the pre-capitalist stage. In recent years, realizing that economic development was not an automatic process, the Latin American Governments had embarked on a policy of more or less direct government intervention. The fact that most of them were not sufficiently prepared either theoretically or administratively to collaborate successfully with private economic forces justified ECLA'S work on the

/planning of

planning of economic development, which his government wholeheartedly supported.

His Government was following with keen interest ECLA'S studies on the economic integration of the Central American countries. An increase in production in that region would facilitate trade throughout the whole continent and would provide a pattern of development for other areas.

Brazil was particularly interested in ECLA'S work in the field of industry. The rise of Brazilian industry had not been a spontaneous phenomenon but a direct result of the crisis of 1929. The reduction of imports combined with the necessity of maintaining the standard of living of a growing population had produced an atmosphere propitious to industrialization. Subsequently, during the Second World War the increase in the demand for certain raw materials and the shortage of foreign imports had increased the rate of industrialization and helped to consolidate it. In that period, Brazil had become less vulnerable to external influences and had acquired a degree of technical knowledge which enabled it to collaborate with other Latin American countries in a system of technical assistance.

Recent statistics of national output showed the growing importance and beneficent effects of industrialization in Brazil.

Agriculture had also benefited from industrialization which had absorbed surplus rural labour and raised the index of per capita productivity, but much still remained to be done

to make the rate of development adequate to the needs of a growing population.

Industrialization had therefore been concentrated on certain basic industries essential to the development of the national economy. The iron and steel industry, for example, had not found conditions favorable to its development in Latin America and had required government assistance. Brazil was now the principal producer of iron and steel in Latin America. Nevertheless, production had not kept pace with its needs and Brazil would be forced, in order to maintain its rate of development, either to increase production or to spend more of its foreign exchange on imports.

As the Executive Director had pointed out, Governments must not attach excessive importance to industrialization or neglect agriculture in the process of economic development, particularly since most Latin American countries were still dependent on the export of primary agricultural products to enable them to import the capital goods required for the development of their industries. His delegation therefore suggested that ECLA, in collaboration with FAO, should continue its studies of the agrarian reform of the Latin American countries and examine the possibility of promoting industries indispensable to agricultural progress.

ECLA'S studies on intra-regional trade should also be continued and amplified. Certain problems connected therewith such as those of transport and communications and customs barriers should be dealt with not only from the viewpoint of

/the benefit

the benefit of individual countries but with a view to reestablishing a realistic degree of multi-lateralism in foreign trade. That should of course be accompanied by measures for the protection of new and essential industries.

With regard to the question of coordination between ECLA and IA-ECOSOC, there had as yet been no duplication of efforts between the two bodies since ECLA had established new methods and a new and dynamic system for the interpretation of economic phenomena. The chief problem was not to avoid duplication in the operational activities of ECLA and IA-ECOSOC, but to avoid their holding concurrent meetings. The economic development of Latin America was such a vast and complex field that it was advantageous rather than otherwise to have two bodies in which its problems could be discussed from different angles.

His delegation maintained the view expressed by the President of the Republic of Brazil in his opening address that no change should be made in the structure or system of work of ECLA.

Mr. ECCHER (Uruguay) was happy to note the sympathetic understanding and the ideals of peace and justice prevailing at the session.

He was gratified to see the amount of initiative and the progress of the Commission's work thanks to the efforts of the members of the Secretariat and particularly of its Executive Secretary.

With respect to the question of industrialization and mechanization of agriculture referred to by Mr. Prebisch in his address, he would cite the following data relating to Uruguay:

Wool, one of the principal items of farm production

/showed an

showed an increase of 86 thousand tons in 1952-53 over the figure of 10 years before, thanks to the supports furnished by his Government. Even though the area devoted to wheat growing remained at some 500,000 hectares, greater yields had been achieved. During the last 10 years, cereals as a whole showed an increase of 67 percent in the area sown, 105 percent in volume and 380 percent in value.

This had been largely due to the mechanization of agriculture. In fact, since the latter part of 1950, the number of tractors had increased from 13,000 to 18,000 and the number of harvesting combines had increased from 4,700 to 5,200. Likewise, fuel consumption in agriculture has increased fourfold.

For the purposes of development, an agency had been set up to maintain a reasonable reserve of cereals and other agricultural products, which had made it possible to face the disaster of 1951.

Livestock figures also showed appreciable gains.

Industrial establishments had increased from 11,500 in 1936 to 25,000 in 1953. Cement, oil, textile, cold storage and construction were the most important industries, to which might be added the chemical industries, stimulated by the creation of the Institute of Industrial Chemistry. The rise in the investments in industry had been balanced by those made in agriculture, so that a balanced ratio of active rural population to total occupied population could be maintained. According to the 1951 census that ratio was

/18 percent.

18 per cent, which was well below the average for Latin America given in ECLA's survey (57 per cent) and close to the 11 per cent for the United States.

Since the adverse events of 1951, foreign trade had picked up. The present situation appeared satisfactory.

Inflation, due largely to external factors, had lessened since 1952 thanks to the adoption of timely domestic measures.

An investment plan was being implemented, financed up to 50 per cent by loans from the International Bank for Reconstruction and Development, and it was expected that through them livestock production would increase 15 percent.

With regard to studies on payments arrangements, he agreed with ECLA in favouring a policy tending toward a progressive integration, and indeed the Uruguayan delegation had submitted the idea at the first session.

Mr. COOKE (Argentina) stated that the economic policy of his Government coincided with the view held by ECLA and tended towards the economic union of the Latin American countries, the development of national wealth and improvement of the population standard of living.

Industrialization had served to achieve full employment, a higher level of income and a better distribution of income.

The physical volume of output in Argentina had increased between 1946 and 1948, fallow slightly in 1949, due to difficulties in disposing of exportable surpluses, and recovered in 1950. In 1951 the highest figure had been

/reached in

reached in spite of the adverse influence of climatic factors on agricultural production, which were especially acutely felt in 1952, a very abnormal year in Argentina.

Real income had not increased to the same extent, owing to the worsening of the terms of trade since 1949.

Industrial output had risen by 34 per cent between 1945 and 1951. The construction industry had increased by 50 per cent above an already high level, and services and farm production had also improved. According to figures given by ECLA, total output was increasing by 30 per cent while population growth was only 15 per cent. The growth in available goods and services is even greater (almost 50 per cent), partly because the nationalization of public utilities which had made it possible to step up imports that were being paid by the foreign exchange previously used for paying the dividends on foreign capital.

Economic policy had also tended towards a better distribution of income, thereby improving the living conditions of the working class.

Measures were being adopted to increase the area sown and the volume of livestock production. Since more than 50 per cent of the land was in the hands of tenant farmers, it had been necessary to provide producers with the greatest possible stability. To that end the Government had intervened in the control of agricultural leases, supplementing its action by an adequate settlement policy.

Whereas up to 1949-50 the area devoted to livestock had

/been shrinking

been shrinking, that devoted to industrial crops had increased. Under the second Five Year Plan the area in use was to be increased by 34.5 million hectares by 1957-58.

In 1951-52 4.8 million hectares of wheat were sown but the output obtained was only two million tons. On the other hand, in 1952-53 the area sown rose to 6.1 million hectares and the crop to 7.8 million tons. Corn production increased from 2.5 to 3.3 million tons. While total production of cereals and flax increased from 12 to 15 million tons.

An adequate degree of agricultural mechanization had been reached through heavy imports of machinery and equipment. There had also been an improvement in agricultural credit facilities.

International factors had materially affected the domestic economy. Up to the end of the Second World War, Argentina had accumulated large foreign exchange balances, but in using them, suffered a considerable loss due to the rise in prices brought about by world inflation. Inconvertibility of sterling created a serious payments problem.

United States aid to Europe, with the ensuing increase in production and the accumulation of stocks in Argentina had also an unfavourable effect, as had the devaluation of the pound. The increase in prices of raw materials as a consequence of the Korean conflict could not be fully exploited by Latin America countries, due to international rationing and controls. In the last two years the terms of trade had worsened.

ECLA's report on economic integration in Central America was also of interest to other Latin American countries. In fact, similar reasons had induced Chile and Argentina to favour an economic union, and possible participation had been offered to other countries in the region.

Finally, he expressed his appreciation for the work of ECLA and made some remarks which he said were offered in the fullest constructive spirit.

The meeting rose at 7:200 p. m.