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ECONOMIC COMMISSION FOR LATIN AMERICA
Fifth Session
Rio de Janeiro, Brazil
9 April 1953.

COMMITTEE I (Current Economic Situation and
Prospects)
SUMMARY RECORD OF THE FIFTH MEETING
Held at Rio de Janeiro, on Saturday 18 April 1953
at 10.00 a.m.

CONTENTS: General position of industry, mining and energy
(E/CN/12/291/Rev.1) (continued)
General considerations

/PRESENT:

PRESENT:

<u>Chairman:</u>	Mr. VENTURA	Argentina
<u>Rapporteur:</u>	Mr. CASAS BRICEÑO	Venezuela
<u>Members:</u>	Mr. BALBOA	Argentina
	Mr. ALCAZAR	Bolivia
	Mr. PINHEIRO) Mr. FARIAS)	Brazil
	Mr. MARTONES	Chile
	Mr. MASPONS	Ecuador
	Mr. CAMPAGNE) Mr. COTTIER)	France
	Mr. FEIN	Netherlands
	Mr. NUÑEZ	Paraguay
	Mr. CAVERO	Peru
	Mr. MACKENZIE	United Kingdom of Great Britain and Northern Ireland
	Mr. ASHER	United States of America
	Mr. WEISS	Uruguay

Also present:

Representatives of specialized agencies:

Mr. ROBICHEL	International Monetary Fund (IMF)
Mr. LARGEN	International Bank for Reconstruction and Development (IBRD).

Secretariat:

Mr. URQUIDI	Secretary of the Committee
Mr. FLUSCHNER	

/GENERAL POSITION

GENERAL POSITION OF INDUSTRY, MINING AND ENERGY (E/CN.12/291/Rev.1)

MR. FARIA (Brazil) said that for the majority of Latin-American countries industrialization had become the chief factor in economic development. The Secretariat study (E/CN.12/291/Rev.1) showed the capital importance of power in industrial development and the need to plan the future supply of power so as to ensure against interruption in the development process. Brazil was currently suffering from a power shortage due to exceptionally rapid economic development. In spite of the increase in power capacity, which was planned to reach some 2,800,000 kilowatts by 1954, it was still feared that it would not be possible completely to satisfy the growing demand.

The Brazilian Government had begun to develop power projects in Bahia, Rio Grande do Sul, Minas Gerais and other states and was studying the possibilities of further development. It was essential to study national possibilities in the field of power production since the importation of fuel would exert an unfavourable pressure on the balance of payments position. The Secretariat study omitted to mention that Brazil was also using its southern coal reserves for the production of electric power. Existing mines were in full production and projects were under study for the construction of plants utilizing low grade fuel.

MR. CASAS BRICEÑO (Venezuela) praised the section devoted to the position of industry in Venezuela in document

E/CN.12/291/Rev.1, which gave a just evaluation of his country's progress in that field. The study showed Venezuela's industrial progress in the past few years, particularly in regard to consumer goods. As a result of the application of technical advances, Venezuela would be able, in the near future, to provide complete statistics which would be of great assistance to economic bodies in their studies of manufacturing, mining, trade and services in general. Complementary studies were being carried out on the country's economic structure and national income. The Development Corporation was studying the possibilities of setting up new industries, particularly those which would utilize Venezuelan raw materials and a number had been established.

Petroleum production was expanding and there were plans for a considerable expansion of refining capacity. The Government's policy in regard to concessions to foreign companies was just and beneficial to the nation.

The majority of the oil companies operating in Venezuela were on the point of completing natural gas plants, which would supply natural gas for industrial and domestic purposes.

He referred to the advantages derived by Venezuela from the recent conclusion of a supplementary trade agreement with the United States, whereby Venezuela had also received

/tariff and tax

tariff and tax concessions affecting its oil products.

Commenting on Venezuela's iron ore production, he said that there were substantial reserves of high grade iron ore, and plans were under consideration for the establishment of a large iron and steel plant.

Gold production had declined as a result of a temporary suspension of operations subsequent to Government expropriation of one of the larger undertakings, but the nationalized mines would shortly resume operations with improved equipment. Diamond production had been increasing.

The Secretariat study showed that Venezuela's situation with regard to electric power production was promising. Production had trebled between 1945 and 1951 and there had still been a considerable rate of increase in 1952.

The study suggested that the rate of foreign investment in Venezuela might be subject to a decrease in the future, but he thought that unlikely. Even should there be a decrease in oil production, which was improbable, Venezuela still had large iron ore reserves offering enormous potentialities and its other industries had been established on a sufficiently firm basis to offer definite incentives to foreign capital.

MR. MISS (Uruguay) associated himself with other delegations in commending the studies produced by the Secretariat.

He pointed out, however, that certain statements in the survey gave the impression of an alleged antagonism between
/agriculture and industry

agriculture and industry, which was not in accordance with the actual facts of the situation. There was general agreement that industrialization should be intensified, but at the same time it was fully realised that such intensifications must take place concurrently with and parallel to the development and mechanization of agriculture. A more careful analysis of the complex question of "the balance" between industry and agriculture was needed.

He regretted that in the Secretariat study agriculture had been given completely separate treatment and consideration. Agriculture was actually only one industry among others, and as such, its problems should be studied in the same way as those of industry. He suggested that the Secretariat should analyse the income resulting from the fully mechanized agricultural industries already established, and compare it with the income from other types of industries.

MR. ASHER (United States) welcomed the recent substantial progress made by the Latin-American countries in the development of industry, mining and electric power.

According to the Economic Survey, the outstanding feature during the past few years had been the expansion of manufacturing, income deriving from which in 1952 had been 36.4 per cent higher than that obtained from agriculture. That was indeed a remarkable reversal of the traditional positions of industry and agriculture.

/That progressive

That progressive industrialization rebounded to the advantage also of the already industrialized countries, since it was generally recognized that prosperity was indivisible. The United States had been engaged in recent years in efforts to stimulate the development of the under-developed countries through the United Nations and by such means among others as bi-lateral grant aid and Point Four Programmes. It was justly proud of what had been accomplished in that way.

He had no desire to enter into controversy but felt impelled nevertheless to refute a statement that had been made in plenary session, distorting the objectives and results of United States aid to Europe under the Marshall Plan.

At the end of the Second World War, Europe's economy had been left in such a parlous state that a major crisis had been in the offing. The people of the United States had willingly and gladly taxed themselves for the purpose of contributing to the restoration of European production and trade. The result was a Europe now better able to play a normal role within world economy and with a financial position restored to the point that it was actively engaged in fairly large-scale investment in Latin America.

The development of Latin-American industry, mining and electric power might prove a longer term task, but there could be no doubt of United States interest in expediting the process, as was evidenced by the grant of United States loans for the
/development of

development of basic industries and services. The purpose in each and every case had been to help in laying a solid foundation for the establishment of a more diversified and more productive economy.

It should not be forgotten, also, that development was a dynamic process, involving the constant adaptation of new techniques to fit individual circumstances. Technical assistance was therefore an essential feature of United States aid.

The future rate of development would depend largely upon the domestic policies of governments with regard to such factors as planning and programming and wise choice of industries, financial policies, and the climate established for foreign and domestic investment. The whole world stood to gain, he said in conclusion, from the further development of the under-developed countries. There was no conflict of interest.

MR. GODFREY (United Kingdom) said that as representative of one of the countries that had greatly benefited from Marshall Aid, he wished to concur in the views of the United States representative.

MR. PINHEIRO (Brazil) drew the Secretariat's attention to the desirability of broadening its studies on mining, to give due weight to the relative importance of that activity in Latin America. Such aspects as its influence on balances of payments, the importance of development to supply domestic and regional needs and to obtain the requisite supplies of strategic materials for.

materials for national defence purposes might be covered.

The case of sulphur might be cited as an example. It was in short supply and had recently been placed under international control. Considerable deposits existed in Latin America which could advantageously be exploited to meet the region's growing needs. It might prove of advantage to have agreements between producer and consumer countries with a view to stimulating production.

Brazil had statistical information on sulphur which it would communicate to the Secretariat for incorporation into the economic surveys.

MR. URQUIDI (Secretary of the Committee) welcomed the Brazilian representative's suggestions for broadening the scope of the chapter on mining in the economic survey and thanked him for the offer of data relating to Brazil.

MR. ALCAZAR (Bolivia) remarked that Bolivia was a typical example of a mining country in Latin America; in fact, almost all its economic activity centred around mining. In the past, operations had been conducted under a concession system with the result that there had been no rational development of the industry from the country's economic standpoint. Intensive exploitation had considerably impoverished deposits, also making the ore harder to win and bringing up the costs of production to an almost uneconomic level. Labour costs were relatively high also in Bolivia, due to the deeper workings.

/Mining undertakings

Mining undertakings fell into three groups: large, medium-sized and small. The mines in the large group, which produced almost 50 per cent of the total output, had recently been nationalized, despite the fact that the industry's prospects for the future were not bright. They had been brought to the verge of decapitalization, due to the factors he had already mentioned and to unfavourable price fluctuations. That situation was the cause of Bolivia's economic difficulties, since decapitalization of the mines really represented decapitalization of the State. In these circumstances, the State had been compelled to subsidize mining production by establishing differential exchange rates and that had led to internal inflation. The position was further aggravated by existing difficulties in finding markets and by the fact that fixed price levels for minerals were maintained in international markets whereas prices of consumer goods were subject to fluctuation.

He therefore wished to endorse the Brazilian suggestion and ask that the Secretariat carry out a study on mining in Bolivia, with particular reference to all the aspects of the situation that he had just outlined.

GENERAL CONSIDERATIONS

MR. BALBOA (Argentina), describing the state of Argentine economy and production trends, said the physical volume of output in Argentina had been rising steadily since

/1945, except

1945, except for a slight falling off in 1949, due chiefly to balance of payments difficulties resulting from reduced exports and a worsening of the terms of trade. The trend had first appeared towards the end of 1948 when international markets for raw materials had weakened, partly due to exceptional harvests in the United States which had subsequently been placed in Western Europe under Marshall Plan aid. In accordance with the original concept of that Plan, Argentina had been assured of remunerative markets for its exportable surpluses, but had been excluded by a later change in the policy, the ultimate objective of which was to find a market for United States excess agricultural production.

In 1951, after production had been stepped up following a 50 per cent increase in the country's capital resources, weather conditions had adversely affected the harvests in the main crops. Accordingly, the prospects for 1952 had pointed to a marked drop in exports, with reduced returns in foreign exchange, a steady worsening of the terms of trade and a strong inflationary tendency.

The situation might have been met by resorting to foreign loans but the Argentine Government had preferred to rely on the solid state of the national economy and the will to work of its people. By judicious planning, accompanied by the requisite financial measures and aided by the collaboration of the whole /population, it

population, it had succeeded in 1952 in again raising production in most sectors of the national economy, had checked inflation and had reduced its adverse balance of payments. The 1952 economic plan had thus substantially contributed the realization of the objectives of the Argentine Government's second five-year plan.

The meeting rose at 1.00 p.m.