

ECONOMIC  
AND  
SOCIAL COUNCIL

GENERAL  
E/CN.12/AC.27/SR.3  
5 September 1955  
ORIGINAL: ENGLISH

## ECONOMIC COMMISSION FOR LATIN AMERICA

Sixth Session  
Bogotá, Colombia  
29 August 1955

## COMMITTEE I

## (Economic Trends and Prospects)

## SUMMARY RECORD OF THE THIRD MEETING

Held at Bogotá on Monday,  
5 September 1955 at 3.30 p.m.

CONTENTS:

General discussion of economic trends and prospects (continued).

PRESENT:

<u>Chairman:</u>	Mr. DE ANDRADE-LYRA	Brazil
<u>Rapporteur:</u>	Mr. GINEBRA HENRIQUEZ	Dominican Republic
<u>Members:</u>	Mr. VALLADARES	Argentina
	Mr. ANTEZANA PAZ	Bolivia
	Mr. KNAACK DE SOUSA	Brazil
	Mr. NAPPE	Chile
	Mr. DEL CORRAL	Colombia
	Mr. DIAZ MASVIDAL	Cuba
	Mr. SALGADO	Ecuador

/ Members

Members (continued)

Mr. POUSSARD	France
Mr. HUDICOURT	Haiti
Mr. MONDRAGON	Honduras
Mr. NAVARRETE	Mexico
Mr. GUERRERO	Nicaragua
Mr. AIZPU	Panama
Mr. SCOTT-FOX	United Kingdom of Great Britain and Northern Ireland
Mr. CONLISS	United States of America
Mr. FERNANDEZ GOYECHEA	Uruguay
Mr. BELLO	Venezuela

Also present:

Observers from Member States:

Mr. AIM.SY	Czechoslovakia
Mr. K&T	Poland

Observer from a non-Member State

Mr. ALFARO Y POLANCO	Spain
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Representatives of specialized agencies:

Mr. LASO	International Monetary Fund
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Representatives of non-governmental organizations:

<u>Category A:</u>	Mr. LOMBARDO TOLEDANO)	World Federation of Trade Unions
	Miss KAHN )	

Secretariat:

Mr. MAYOBRE	Secretary of the Committee
Mr. PERDOMO	Asistant Secretary

GENERAL DISCUSSION OF ECONOMIC TRENDS AND PROSPECTS (continued)

Mr. NAPPE (Chile) congratulated the secretariat on its valuable analysis of the economic situation in Latin America; it had clearly outlined the origin and development of inflationary pressure in Chile following the depression of 1930 - 1931. The depression had caused a decline in foreign trade and serious unemployment, which was especially strong in the nitrate industry. In 1931, Chile had abandoned the gold standard and had issued non-convertible paper money. In spite of those apparently adverse circumstances, the Chilean economy had recuperated between 1932 and 1937, although there had been slight inflation, the main impact of which had been borne by the workers.

Among the main causes of the current inflation were foreign factors such as the world depression and structural changes in the nitrate market.

Until 1939 certain stabilizing factors had favoured the monetary position of Chile, and substantial improvement in its terms of trade had been reflected in a higher level of investment and a satisfactory balance of payments. Unfortunately those stabilizing factors had disappeared in 1949 and serious inflation had begun. The change had been due to three events of primary importance.

Firstly, the Second World War had had a detrimental effect on Chile's term of trade and had led to a decrease in its imports of capital goods. The Central Bank had been obliged to issue large amounts of currency in order to avoid economic paralysis but had thereby caused a rise in domestic prices.

Secondly, in 1939 the Government had launched a new social policy designed to improve the distribution of the national income and to raise the workers' standard of living and productivity. A large-scale migration of workers from agriculture to the more productive activities had then occurred.

Thirdly, there had been rapid industrial expansion, rendered possible by the creation of protective barriers. Those barriers and the tacit agreement whereby industrialists drew large profits from their investments had had inflationary effects.

1939 - 54 had been a period of transition characterized by a deterioration of the terms of trade and of the rate of investment and by virtually chronic disequilibrium in the balance of payments.

/ In 1954,

In 1954, the Government had adopted a vigorous policy to promote investment. 30 million dollars had been invested by the United States; new agreements had been signed with foreign copper enterprises; new arrangements had been made with the nitrate industry; and foreign currency had been made more readily accessible. The Government's policy had been favoured by the increase in the international price of copper.

Despite those promising signs, inflation had developed at too quick a pace for the Chilean Government to counteract it by short-term measures without substantial foreign assistance. Chile had therefore submitted to various international credit agencies a complete programme for developing if agriculture and transport facilities which, if carried out, would have an anti-inflationary effect.

He drew attention to the Chilean draft resolution (Conference Room Paper No. 2) which was designed primarily to facilitate the work of ECLA in securing up-to-date and complete economic statistics and data.

Mr. GINEBRA (Dominican Republic) expressed the appreciation of his delegation for the admirable work of the ECLA secretariat in the preparation of the Economic Survey of Latin America, 1954 (E/CN.12/362/Rev.1) and for the co-operation it had maintained with the specialized agencies and the Technical Assistance Administration.

He reviewed the statements published in the Survey on the Dominican Republic's prosperous economic situation, which was evidenced by the absence of inflation, an increase in production and national income, favourable terms of trade, and the recovery of reserves.

His government was intent on achieving the expansion of agricultural production through credit facilities and land improvement and on fostering industrial progress by means of a programme of priorities and tax exemptions.

He drew the attention of the secretariat to the contradiction between the second paragraph (first column) and the fourth paragraph (second column) of page 165 of the Economic Survey of Latin America, 1954 in relation to the quantum of exports of the Dominican Republic.

The CHAIRMAN announced that the representative of the World Federation of Trade Unions, Mr. Lombardo Toledano, had requested permission to speak. If there were no objection, he would call upon him to make a statement.

Mr. LOMBARDO TOLEDANO (World Federation of Trade Unions) referred to the suggestion made by his organization at a previous plenary meeting that a conference be held to discuss the economic development of Latin America, particularly its industrial development in relation to the productivity of labour.

He presented various arguments in favour of the WFTU proposal. The general consensus of opinion in Latin America -including labour, entrepreneurs and governments - was that economic development should be accelerated, particularly in the industrial sector, since the welfare and importance of countries at both the national and the international level depended on such progress. At the same time, there was great confusion as to the concept of productivity, which was often erroneously thought to be synonymous with that of production, and certain sectors even considered that productivity could be studied as an isolated problem without any consideration being given to the standards of living of the workers.

The economic and industrial development programmes of Latin American countries had been marked by great confusion concerning productivity. On the other hand, the United Nations had felt some concern over this problem, as shown by resolution 560 (XIX) of the Economic and Social Council, whereby the Secretariat was to prepare a study on the relationship between productivity and industrial development, and by the references to the subject contained in some ECLA studies.

The subject was of great importance, since experience had shown that, when the problem of raising productivity was left in the hands of private entrepreneurs, labour benefited but little from any progress achieved, in the shape either of better wages or of improved standards of living. The application of uncontrolled measures to increase productivity had led to unemployment, greater work hazards, higher accident rates and other undesirable results.

In order that productivity might be raised not only in the interests of economic development, but also with the aim of improving the standard of living, he suggested that ECLA organize a conference to study those problems. It might possibly be held as a round-table discussion between representatives of governments, labour and entrepreneurs, or in any other form which would achieve the desired results.

Mr. DIAZ MASVIDAL (Cuba) congratulated the Secretariat both on the Economic Survey of Latin America, 1954, and on the special issue of the Commission's Economic Review. He pointed out, however, that ECLA's figures on sugar stocks held in Cuba in 1954, including normal carry-overs, exceeded the real level by some 200 thousand long Spanish tons. He hoped that with the establishment of the Instituto Cubano de Estadistica information would be made more readily available to the ECLA Secretariat.

After the sugar boom of the Second World War and the Korean War, his Government had adopted a policy aimed at offsetting the decline in sugar exports by a greater diversification of the economy and by long-term development plans, which included a revision of the tariff in order to ensure greater protection for domestic production as a substitute for imports.

Cuba was in the same position as many other Latin American countries which depended almost exclusively on one export commodity. In that respect, he regarded Brazil's limited convertibility arrangements with the United Kingdom, Germany and the Netherlands as a promising sign of what other Latin American nations might do to expand their traditional markets. He suggested that ECLA should study efficient trading arrangements, such as those of the European Payments Union; it should examine the prospects of other export markets for Latin American commodities or consider the possibility of establishing a purchasing agency which could absorb surpluses in order to mitigate the impact of an export decline on the economy of those countries.

Mr. DEL CORRAL (Colombia) gave a detailed account of the economic trends and prospects in Colombia. <sup>1/</sup>

Mr. SCOTT-FOX (United Kingdom) considered that the Secretariat had been very successful in adjusting certain economic theories, generally evolved with reference to the more developed countries, to the less developed countries, although he did not agree with all the arguments advanced.

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<sup>1/</sup> For the text of Mr. del Corral's statement see Information Document No. 39.

In chapter I, for example, he doubted whether it was justifiable to conclude that the volume of imports should necessarily be restricted. It was difficult to accept the thesis advanced in the Survey that the volume of imports into Latin America should be low, a view contrary to that advanced in the study of the economic development of Brazil (E/CN.12/364). The balance of payments situation in a given country could be changed by increasing exports or by reducing imports. None of the arguments in the Survey could be used to support either of these alternatives exclusively.

The section of the Survey dealing with the timing of import replacement was admirable. He agreed that periods of relative plenty should not be used for the importing of non-essential goods, if that meant that there would be sharp restrictions on the importing of essential goods when the balance of payments deteriorated.

The description of the relationship between terms of trade and the investment coefficient in Latin America was very interesting, but the point had surely been overlooked that peaks and troughs in terms of trade were soon followed by peaks and troughs in annual investment. It was however disappointing that, in the recent past, investment had declined despite favourable terms of trade.

In conclusion, he wondered whether chart IV might not be taken to imply that Latin America could afford higher investment levels.

Mr. CORLISS (United States of America) stated that each new issue of the Survey cast further light upon the economic development of Latin America. He felt that future issues might indicate, in the tables, the countries covered, as in some cases they referred to Latin America as a whole, and in others to some of them only.

With regard to the investment coefficient considerable attention was devoted to the quantitative aspect, but it was extremely important to include the qualitative aspect also; it was essential that investment should be made in sound, productive enterprises of advantage to the investing country.

So far as inflation was concerned, countries which increased the amount of currency in circulation generally experienced the highest increases in the cost of living. The United States had long been of the opinion that inflation was not a satisfactory device for promoting economic development. He was gratified to note that the Secretariat held the same view and that

/it had stressed

it had stressed the problems of inflation in countries in process of development. In addition to other disadvantages, inflation tended to raise price levels and to create unreal rates of exchange.

The meeting rose at 5:20 p.m.