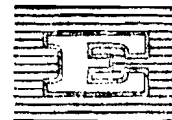


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ECONOMIC COMMISSION FOR LATIN AMERICA
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15 May 1957

PROGRESS REPORT BY THE EXECUTIVE SECRETARY

throughout almost all of Latin America. The countries most affected were Bolivia, Brazil, Colombia and Mexico. Only in Mexico was the expansion in other economic sectors sufficient to increase per capita income despite the contraction in the product and demand of the agricultural sector. Again, it was not always possible to increase the volume of imports as in Cuba, Mexico, Peru and Venezuela. Indeed some countries were compelled to reduce the deficit in their balance of payments, to liquidate debts previously contracted or to re-establish the level of their international reserves. Secondly, it was sometimes necessary to reduce the volume of imports at the expense of the supply of goods, particularly raw materials, required by the domestic economy.

21. The restrictions on effective demand applied in some countries and the credit extended in order to offset inflation further explain why industrial production increased in 1956 somewhat more slowly than in 1955 throughout Latin America despite the progress registered in some countries. But it should be pointed out that, while some branches of industry stagnated or expanded only slightly, others increased their production considerably. This was particularly true, for example, of the chemicals, steel making and motor vehicle industries. The greater relative increase in the industries producing capital and durable goods was due in some instances to substantial foreign investment.

/22. Contrary to

22. Contrary to expectations, gross per capita investment in fixed capital increased by 3.5 per cent in Latin America in 1956, despite stagnation in gross income. With a few exceptions, there was also an increase in the coefficient of capital formation in certain Latin American countries. This favourable factor from the point of view of the subsequent expansion of the Latin American economy was largely due to an increase in foreign investment and reinvestment. The countries which benefited most from the contribution of foreign capital were Brazil, Mexico, Peru and Venezuela. In the last two countries foreign investment tended to flow towards the export sectors.

23. Latin America's experience during the past decade has confirmed the fundamental part played by income from foreign sources in economic development, which not only makes it possible to purchase the raw materials and capital goods necessary for development but which also help to determine the level of domestic demand and the volume of investment by means of the earnings of entrepreneurs.

24. Although the relative share of income from foreign sources in economic activity as a whole has fallen off, the short-term external vulnerability of the Latin American economy has not always diminished. In addition to a policy of internal expansion which compensates, particularly through the introduction of effective monetary measures, for the decrease in the demand of the export sector arising from weaker internal incentives, there must also exist ample international reserves or

/credits, or

credits, or else a reducible margin of imports by means of which imports essential to production can be protected against the effects of a reduced capacity to import. Obviously this reducible margin depends on the larger or smaller proportion which essential goods constitute in total purchases abroad, and hence on the structure of imports.

25. It should be emphasized that a foresighted import substitution policy may direct this structure along the desired lines. Apart from lessening external vulnerability, such a policy constitutes one of the most important aspects of development. Indeed it leads to a more diversified economic pattern and may also offset, at least in part, the mounting pressure which the new import requirements consequent upon increased production and income exercise on the capacity to import. Thus the behaviour of income from foreign sources, the import structure and the import substitution process are very important factors in the long and short-term evolution of the Latin American economy.

26. Income from foreign sources increased at varying rates in the different Latin American countries during the period 1946-55 as a whole. Argentina was the exception to the rule. In most cases, the improvement in the terms of trade was the main factor contributing to this increase, but the largest increases were due to a greater volume of exports. Although the behaviour of the world market had a marked effect on the flow of income from foreign sources, the part played by domestic conditions in the

/country concerned

country concerned was sometimes important. Among these conditions mention should be made of the exchange, price and investment policy pursued in regard to export activities and the rate of industrialization and of increases in consumption of the population at large. When a country becomes industrialized and improves its standard of living, its import requirements generally increase, but, on the other hand, it may be difficult at the same time to increase the balances of exportable primary commodities on which a greater capacity to import partly depends. Contributions of foreign capital help to solve this problem, not only because they represent additional income in foreign exchange but also because they add to the reserves of productive resources. So far as annual fluctuations in income from foreign sources are concerned, the experience of the period 1946-55 shows that they varied in intensity from one country to another mainly as a result of external factors. On the other hand, it is also noticeable that the diversification of exports considerably lessened the short-term instability of such income.

27. A smaller increase in imports for investment purposes as compared with imports of consumer goods, and a larger volume of imports of raw materials and intermediate goods than of finished goods were the two predominant trends in the pattern of Latin American imports in recent years. Both trends appeared with greater or lesser intensity in the great majority of the

/countries.

countries. Although in certain cases, for example, in Mexico, the process of import substitution in respect of imports for investment purposes was accelerated, the changes in the distribution of purchases abroad as between those imports and imports of consumer goods were mainly attributable to the evolution of the capacity to import. The less the latter expanded, the more the share of imports of consumer goods increased in regard to total imports. On the other hand, the greater increase in imports of raw materials and intermediate goods as compared with imports of finished goods was linked in particular to the degree of industrialization and, more generally, to the economic development of Latin America. As the means of domestic production became more numerous and diversified, more raw materials and fuels and relatively fewer manufactured goods were required.

28. In order to accelerate or even to maintain the rate of economic development, it is necessary in the long run to import increasing quantities of machinery and spare parts. In addition, as already stated, the lessening of short-term external vulnerability depends on the existence of a reducible margin of non-essential imports which can be put to use when the capacity to import declines. In regard to these two points, the trends noted in the import structure cannot be regarded as favourable. Nevertheless, only in Argentina were these trends so marked that they led to stagnation in development and to extreme economic vulnerability to sudden fluctuations in external income. Although a situation similar to that prevailing in Argentina may

/arise in

arise in some other countries, the danger has not yet taken definite form. On the other hand, the changes already mentioned in the structure of purchases abroad were rather slight in other cases, did not involve any relatively dangerous decline in imports of capital goods and left a very wide reducible margin of non-essential purchases abroad. Because of a marked expansion in the capacity to import, it has been possible, on the one hand, to purchase abroad more raw materials and foodstuffs without sacrificing capital goods. On the other hand, an energetic import substitution policy has sometimes been pursued which was not limited to non-essential commodities but also covered staple consumer items and goods essential to economic development.

29. In view of the great importance of the import substitution process to the Latin American economy, the Survey draws attention to the interest of examining the nature of a foresighted policy which might remedy the defects observed during the last decade. Experience shows that efforts should be concentrated on the replacement of commodities essential for maintaining or raising the level of economic development. For this purpose the temporary increase in income from foreign sources during favourable periods might be diverted by suitable fiscal measures towards more imports of capital goods at the expense of durable consumer goods. In addition to satisfying the main investment requirements of economic development, capital goods would partly serve to replace essential imports.

Economic Bulletin for Latin America

30. In 1956, the Bulletin began to be published on a regular basis and the two issues constituting Volume I were published. This was done in response to the Commission's wish that the secretariat should issue a periodical review of the principal economic developments in Latin America in order to supplement and bring up to date the information provided in the annual Economic Survey.

31. The Commission took note of the contents of Volume I, Number 1, published in January 1956, in the report submitted to the Committee of the Whole in May 1956.^{1/}

32. Number 2, which appeared in September 1956, includes a review of the economic situation in Latin America during the first half of 1956 and various articles of importance, firstly, from the point of view of topicality and, secondly, from the theoretical and practical aspects also. With regard to the former, special mention should be made of the articles dealing with the exports and prices of some products, including cotton, coffee, cacao, wheat, sugar and copper, and those analyzing the import trends of Latin American commodities in the United States and energy consumption in Latin America. The latter include a study of the general characteristics of the input-output model

^{1/} See E/2883/Rev.1 and E/CN.12/AC.34/9/Rev.2, paragraphs 18 and 19.

/and the

and the possibilities of applying it in the case of a Latin American country, and a note on the concepts and methods used by ECLA in analysing economic development.

33. Volume II, Number 1, was published in February 1957. In addition to the usual review of the current economic situation, which in this case sets forth the conclusions reached in the preliminary version of the Economic Survey of Latin America 1956, the Bulletin contains a study of the changes in the employment structure of Latin America during 1945-55, a report on the possibilities of expanding wheat production in Brazil and an analysis of recent developments and prospects in trade between Latin America and Japan.

Activities in the field of economic development

34. In accordance with the resolutions adopted at the sixth session, the secretariat has continued to give priority to the studies on economic development and to the implementation of measures of economic policy designed to expedite development in the Latin American countries.

35. Its work has covered various fields. Firstly, an analysis was made of the general problems affecting Latin American development, in connexion with which studies on fiscal and monetary policy have been initiated. A preliminary analysis of governmental income and expenditure during the period 1947-54 has been published in the Economic Survey of Latin America 1955.^{2/} In

^{2/} See United Nations Publication, Sales N°: 1956-G.1, page 111 et seq.

addition, analyses have been made of the effects of foreign investment on Latin American development and the relationship of this investment to capital formation possibilities in the different countries. Under the Central American Integration Programme, referred to later in this report,^{3/} it has been possible to collaborate with various Governments in formulating a development policy based on closer inter-Latin American co-operation.

36. Secondly, another aspect was the co-operation maintained with the experts of the Technical Assistance Administration. The secretariat has had the opportunity of discussing the experts' programmes of work, of analysing their reports and of making appropriate observations, bearing in mind at all times the general development requirements of each country.

37. Thirdly, during the period covered by this report and in response to the requests made by some Governments, the economic analyses and projections made for certain countries accounted for a substantial portion of the secretariat's time and work. Apart from helping the countries concerned to realize the nature of the problems implicit in their economic growth and providing a means of formulating a development policy, these studies have greatly assisted the secretariat in delving deeper into the problems which beset the Latin American economies to a greater

3/ See paragraph 108 et seq.

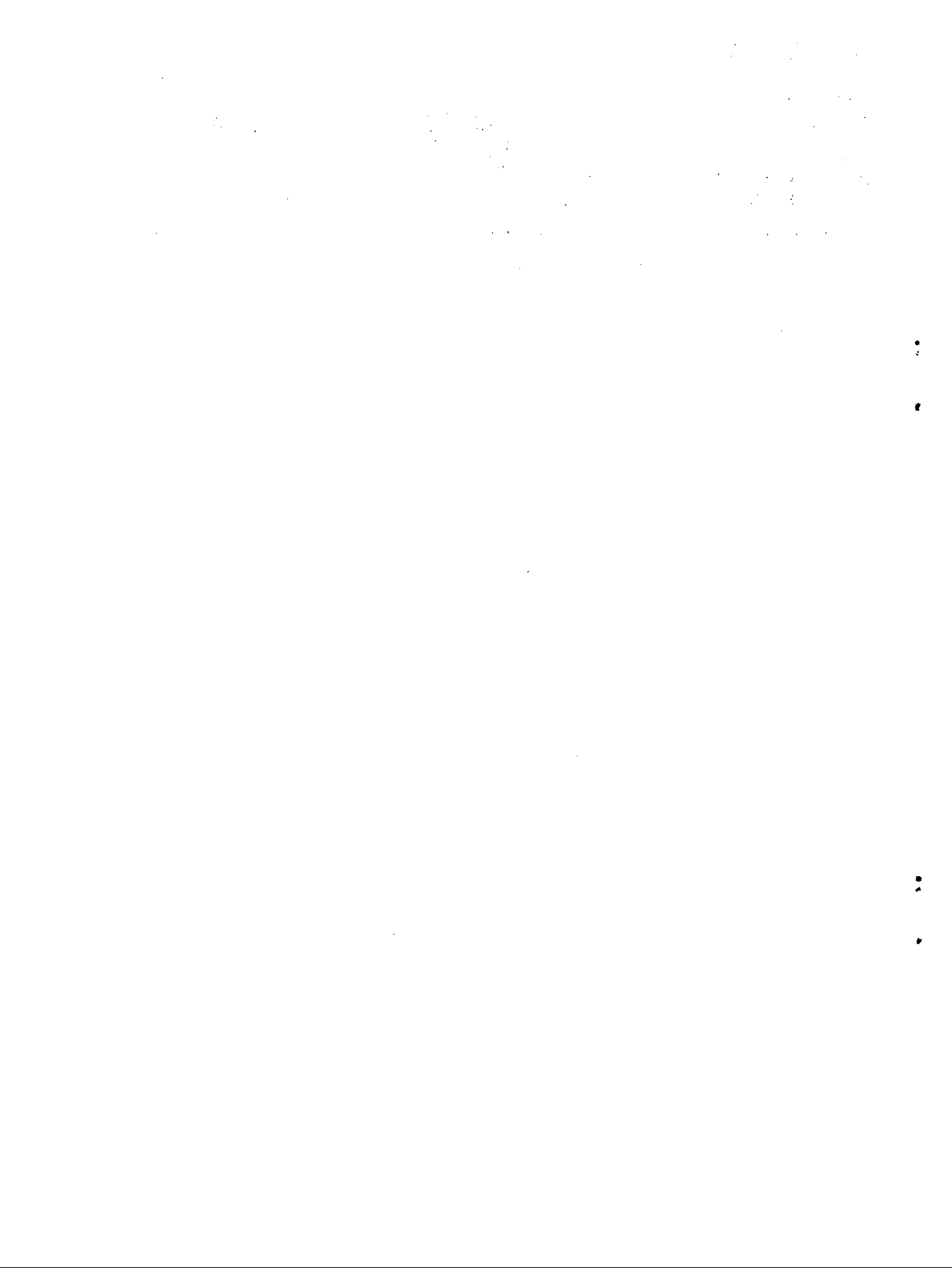
or lesser degree. Since it has completed some of these studies in the last few years, the secretariat can include, in its next programme of work, the analyses and projections relating to Latin America as a whole, which means a step further forward in determining the fundamental problems of development and of achieving maximum inter-Latin American co-operation.

Study of the economic development of Argentina

38. In response to the wish expressed by the Government of Argentina, the United Nations established a group of experts early in 1956 to co-operate with the authorities of Argentina in studying the basic problems of its economic development. The Executive Secretary headed this group, in which various members of the Commission's staff and experts of the Department of Economic and Social Affairs, the Technical Assistance Administration, the United Nations Food and Agriculture Organization and the Inter-American Institute of Agricultural Sciences took part. Technicians of the International Monetary Fund also collaborated in the study.

39. The preparation and drafting of this report has taken more time than is usual for such studies, because the report covers the economy of Argentina during the entire course of the present century so far and because of the complex nature of the Argentine economy itself. Nevertheless it is hoped that it will be possible to transmit the report to Governments within a few weeks.

/40. In the



40. In the course of their field activities, the officials of the United Nations, and especially those of the ECLA secretariat, were consulted by the Argentine Government concerning some urgent problems, inter alia those relating to negotiations with foreign countries with a view to securing capital, and the railways problem. They also co-operated with the Government in preparing the application for United Nations technical assistance, as a result of which the relevant mission is at present in Argentina.

Study of the economic development of Bolivia

41. At the Bolivian Government's request, the secretariat of the Commission initiated, in 1956, a study of the economic development problems of Bolivia in conjunction with the Technical Assistance Administration and with the co-operation of FAO. In view of the complexity of Bolivia's economic situation and of the period of acute inflation which Bolivia is going through, the study is of particular interest for the purpose of co-ordinating the stabilizing measures with the more general objectives of economic development.

42. Despite the shortage of available information media, the report ^{4/} contains a brief historical analysis of Bolivia's development during the present century and then a study, based

^{4/} See E/CN.12/430 and Add.1.

on fuller statistics, of income and investment trends from 1950 onwards; it thus tries to localize the factors which have influenced Bolivia's rate of development in recent years, with due regard to the behaviour of the dynamic factors in its economy over a longer historical period. There follows an analysis of foreign trade with particular reference to exports of minerals, which constitute the most important strategic factor in the Bolivian economy; thus this is also an analysis of the balance of payments from 1925 to 1955. Subsequently, the inflationary trend from the 'thirties up to the present is studied, particular attention being given to the factors which aggravated the situation in the last five years. Bolivia's development problems are then examined, on the basis of this analysis, from the social and economic aspects, and the possibilities of a short-term development programme and its long-term prospects are considered. This programme attempts to determine the objectives to be achieved, the volume of investment required and the amount of investment that may be contributed by the domestic economy. The second part of the study analyses in greater detail the problems and at the same time the bases for agricultural, industrial, energy and transport development programmes, considering all these sectors as part of a general policy.

Studies on Colombia and Brazil

43. The studies on the economic development of Colombia

/(E/CN.12/465)

(E/CN.12/465) and of Brazil (E/CN.12/464), submitted in provisional form at the sixth session, have been revised and published.

The report on Brazil ^{5/} consists of a general survey of the country's economy with special chapters on transport, exports, fuels, fiscal activities in the public sector, projections of energy requirements and the coffee problem. A separate paper has been issued on the possibilities of increasing wheat production. ^{6/}

44. The study on Colombia ^{7/} was completely revised in order to take into account the comments and views expressed at the round-table discussions at Bogotá with a view to the revision of the provisional text.

External disequilibrium in Latin America's economic development:
The case of Mexico

45. The purpose of this study ^{8/} is to examine, in a general fashion, the relationship between economic growth and disequilibrium in the balance of payments. It is, more particularly,

^{5/} See United Nations Publication, Sales No. 1956.II.G.2

^{6/} A rather full preliminary version of this study on Brazilian wheat appears in the Economic Bulletin for Latin America, Vol. II, No.1, Santiago, Chile, February 1957, pp.43 et seq.

^{7/} See United Nations Publication, Sales No.1957.II.G.3.
(Spanish only)

^{8/} See E/CN.12/428 and Add.1

an attempt to explore the possibilities of maintaining an adequate rate of increase of the product in conditions of dynamic equilibrium both internal and external. In view of Mexico's particularly interesting experience during the last ten years, a detailed analysis is given of the structural relationships of Mexico's economy and of the mutual repercussions as between growth and disequilibrium in the balance of payments, which were lessened on two occasions by substantial readjustments in monetary parity but without in any way restricting free convertibility.

46. The analysis of the case of Mexico includes a study of the trends of the capacity to import up to 1965 and sectorial projections based on this capacity and a representative rate of development consistent with conditions of external and internal economic stability.

OTHER STUDIES AND ACTIVITIES

(a) Study of manpower in Latin America

47. In accordance with resolution 80 (VI), adopted at the sixth session, the studies on employment in various Latin American countries and on manpower resources as related to economic development were continued. An article based on these studies ^{2/} is being presented at this session and a preliminary version of the complete studies will be distributed to Governments in a few weeks.

2/ See Economic Bulletin for Latin America, Vol.II, No.1, op. cit., pp. 15 et seq.

/(b) Fiscal and

(b) Fiscal and monetary policy

48. So far as time and staff facilities have permitted, the secretariat has tried to implement the part of resolution 81 (VI), adopted at the sixth session, concerning research on the monetary, fiscal, exchange and trade systems necessary for the execution of development programmes.

49. As mentioned above,^{10/} the part of the Economic Survey of Latin America 1955 entitled "Government income and expenditure, 1947-54" contains a partial account of the first results achieved. In the next few months the secretariat intends to give priority to the study of these problems.

(c) Public administration in development policy

50. In accordance with resolution 81 (VI), the secretariat and the Technical Assistance Administration began a joint study of this subject. A TAA expert worked for several months at the Commission's headquarters with the secretariat. This expert and a member of the Commission's staff visited several Latin American countries to study at first hand their experience in regard to the structural and methodological aspects of planning bodies. The corresponding report is submitted to the seventh session.^{11/}

^{10/} See paragraph 35 and footnote 2.

^{11/} See Conference Room Paper N° 3.

/(d) Collaboration with

(d) Collaboration with the Governments of Costa Rica and Haiti

51. At the request of the Government of Costa Rica, the Mexico Office collaborated throughout 1956 with the Planning Office of Costa Rica in preparing a development programme. In view of the interest shown by the authorities of Haiti, the Office began to co-operate with the Haitian Government this year in the preparation of similar studies.

ECLA/TAA ECONOMIC DEVELOPMENT TRAINING PROGRAMME

The Programme

52. The main purposes of this Programme, organized by the Commission and the Technical Assistance Administration, are to disseminate among Latin American economists the methods of analysis developed by the secretariat and to provide a better understanding of the process and planning of economic development with particular reference to the under-developed countries.

53. The fifth regular one-year course was held from April to December 1956, in which one fellowship-holder from Argentina, two from Chile, two from Costa Rica, two from Haiti, three from Mexico, one from Panama, one from Uruguay and one from Venezuela participated.

54. The participants in the regular course work in close co-operation with the secretariat, devoting half their time to the study of problems in their own countries under the supervision of qualified members of the secretariat, who gave approximately 100 hours of lectures out of a total of 191 for the entire course.

/55. At the end

55. At the end of 1956, an intensive course was given at Rio de Janeiro, Brazil, which was attended by 22 Brazilian engineers and economists on a full-time basis and 27 other Brazilian professional people on a part-time basis. All the students attending the intensive course are working on problems of economic development and hold important administrative or academic posts.

56. The course was inaugurated by the President of the Republic and lasted 13 weeks. 185 lectures were given and 78 hours were spent on discussion and laboratory work. The curriculum covered the following five main topics: social accounting, theory and programming of economic development, preparation and evaluation of projects, financing of economic development and management.

57. Apart from achieving the purpose of raising the level of technical training of the participants, the course provided an opportunity for an objective exchange of ideas on the more important problems affecting the Brazilian economy. The text of the lectures was distributed in mimeographed form to universities and numerous Government officials.

58. The regular course for 1957 began on 15 April at Santiago, Chile, and was attended by fellowship-holders from Argentina, Bolivia, Chile, Costa Rica, Ecuador and Mexico. Two intensive courses, one starting early in August at Rio, and the other starting in mid-September at Caracas, will be held, again with the co-operation of the Technical Assistance Administration.^{12/}

^{12/} For further information on the ECLA/TAA Programme, see document E/CN.12/433.

Manual on Economic Development Projects

59. The implementation of the Programme has brought into increasing prominence a problem which was in itself already serious and well known: the almost complete lack of a Spanish bibliography on economic development which would not only improve the quality and effectiveness of the courses of the Programme but would also serve the much more ambitious purpose of disseminating throughout Latin America a knowledge of the problems of economic growth and the methods and techniques available for solving them.

60. The secretariat started to deal with these problems by publishing the series of Analyses and Projections of Economic Development, but the ultimate objectives can be attained only if these publications are supplemented by manuals containing, in coherent, clear and specific language, data and information the sources of which have been widely scattered up to the present. It is necessary to provide a tool for the students of economic problems, particularly for the technicians and officials working in Latin America, which can be forged into an efficient working instrument.

61. This is the purpose, so far as investment projects are concerned, which the Manual, prepared jointly by the secretariat and the Technical Assistance Administration, seeks to achieve. The Manual is presented in mimeographed form to the seventh session of the Commission.^{13/}

13/ See E/CN.12/426 and TAA/LAT/12.

/62. The Manual

62. The Manual consists of two volumes. The first volume contains the text properly speaking and deals, in two parts, with the technique of preparing, presenting and evaluating investment projects. The annexes to the second volume contain examples and cases, taken from industrial and economic experience, which provide specific and practical illustrations of this technique.

The substance of a given project is examined in Part One of the Manual. After a general statement of the problems and concepts, there is a study of the market, which is followed by an analysis of the engineering, size and location of the project, investment, budget of income and expenditure, arrangement of basic data for evaluation, financing and organization. Part One concludes with a summary and presentation of the project.

63. Part Two, chapter I, analyses project evaluation and then deals with the problem generally. In subsequent chapters, financial equivalences, pricing and indirect effects, and the criteria relating to the productivity of a single resource and to the productivity of the input complex are examined.

64. The secretariat is presenting a completely provisional version of the Manual in order to draw attention to the problem, provide a basis for discussion and invite comments and suggestions with regard to the improvement and correction of the text before it appears in final form.

/INDUSTRY STUDIES

INDUSTRY STUDIES

Iron and steel transforming industries

65. In compliance with ECLA resolutions 57 (V) and 96 (VI), a Latin American Meeting of Experts on Steel Making and Transforming Industries was held at Sao Paulo, Brazil, from 15 to 28 October 1956, sponsored by the Government of Brazil and organized in collaboration with UNTA and with the Associação Brasileira de Metais. The meeting dealt with certain iron and steel making topics which had not been discussed at the first meeting of experts on the iron and steel industry, held at Bogotá in 1952, and also studied the present status of the iron and steel transforming industries in Latin America and the problems with which they are faced.

66. The meeting was attended by 280 experts from 22 countries. Of the 213 Latin Americans, 77 represented steel-works and rolling mills, 51 mechanical and transforming industries; 20 came from universities and technical institutes; 17 represented the newly developing motor vehicle industries; 11 came on behalf of trade and professional associations, 9 from development corporations and banks; and 5 attended in their own private capacity. Among the non-Latin Americans, 10 represented universities and research institutes, 11 professional associations, 21 steel making and equipment firms, 1 the Export-Import Bank, and 15 attended in their own individual capacity as experts.

/In addition,

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/Study of

In addition, there were 4 representatives of the High Authority of the European Coal and Steel Community, 2 of the Inter-Governmental Committee for European Migration, and 3 of the International Labour Office.

67. The agenda was divided into the following four main heads: Part A: Iron and steel making (35 papers); Part B: Iron and steel transforming processes (19 papers); Part C: Training of personnel for the Latin American steel transforming industries (16 papers); and Part D: Development problems of Latin America's mechanical and metallurgical industries (29 papers). This total of 99 papers included 13 prepared by the ECLA secretariat or by special consultants appointed for the purpose, one each by the ILO, UNESCO and ECAFE, 2 by the High Authority of the European Coal and Steel Community, 18 by research institutions, 7 by professional associations, 32 by individual experts, 16 by Latin American firms and 8 by firms from outside the region.

68. A very high level of discussion was maintained thanks to the quality of many of the papers and the international renown of many of the experts. Among the problems facing the industry for which co-operation was requested from the United Nations, particularly UNTAA and ECLA, were those relating to (i) classification, standardization and simplification of the different types of non-current steels, rationalization and standardization of rolled steel shapes, and standardization and specifications

/for products

for products of the iron and steel transforming industries, with special reference to tolerances and fits; (ii) economic aspects of the use of oxygen in steel making in Latin America; (iii) productivity in iron and steel foundries; (iv) the motor vehicle industry; (v) economic evaluation of metal working and other transforming processes; (vi) training of engineers, technicians, skilled labour and instructors; (vii) compilation, presentation and publication of statistics of production, consumption and trade in steel products; market studies for the iron and steel making and transforming industries with a view to preparing projections of the demand for steel, and market studies for the motor vehicle industries in Latin America; (viii) the study of industrial integration possibilities in Latin America as a first step towards the preparation of specific projects for a supra-national or multilateral market, at least for those products that cannot be manufactured economically on the basis of the domestic demand of a single nation.^{14/}

69. Work has already started in connexion with items (ii), (iv), (vii) and (viii), but in the other cases the studies will form part of the Industrial Development Division's work programme for 1958.

70. The Pulp and Paper Advisory Group was formally set up early in 1955, at the request of the Latin American Meeting of Experts

^{14/} See Problems of the Steel Making and Transforming Industries in Latin America, United Nations Publication, Sales N°: 1957-II.G.6, Volume I.

on the Pulp and Paper Industry, which met at Buenos Aires in October 1954. The request was approved by the Commission in resolution 98 (VI).

71. The Group's main functions are as follows: (a) to provide technical assistance to Governments or semi-governmental agencies in the preparation of general plans for developing the pulp and paper industry; (b) to assist in the execution of preliminary studies and analyses carried out by firms or persons interested in preparing projects relating to the pulp and paper industry; (c) to provide technical assistance to Governments or enterprises in the formulation and presentation of projects which should include the necessary information for experts planning national development and public, private or international credit agencies.

72. In accordance with its mandate, and at the request of the Governments concerned, the Group completed two reports: the first, covering Argentina, was completed in January 1956, and the second, relating to Chile, was finished in August 1956.

73. The Group was formally requested to carry out similar studies in respect of Colombia, Mexico and Peru, and will be working on the first two studies during ^{15/}1957.

Pilot study of the road vehicle industry
in Brazil

76. As a result of a recommendation made at the Latin American

^{15/} For further information regarding the Group's activities, see document E/CN.12/434.

Meeting of Experts on Steel Making and Transforming Industries, the Government of Brazil requested the secretariat to undertake a study of the motor vehicle industry in collaboration with the Grupo Executivo da Industria Automobilistica (GEIA). Accordingly negotiations were concluded in December 1956 between ECLA and the Conselho de Desenvolvimento Economico and, during the first few months of 1957, a mission worked on the study which should be completed in May.

Study of the industrial situation in Peru

75. The Government of Peru has requested ECLA to study the status and structure of Peruvian industry and the prospects of its development. In addition, specific aspects of the industry, such as market analysis, the manufacture of new commodities, sources of raw materials and preliminary estimates of costs and investment will be studied, as also the problems of the incentives required to induce private investors or governmental agencies to extend the range of industrial activities. Field work on this project has already been started.

ENERGY PROGRAMME

76. The secretariat prepared a thoroughly revised version of the preliminary report on the Development of energy production and utilization in Latin America: possibilities and problems (E/CN.12/384), submitted for consideration at the sixth session. The printed version has just appeared under the title of Energy in Latin America.^{16/} This revised text includes the most recent data on the subject, and many of the suggestions and criticisms received.

77. As part of the study on economic development in Argentina, secretariat and TAA experts made the necessary on-the-spot inquiries and analyses in order to evaluate the status and potentialities of Argentina's energy resources.

78. A secretariat expert joined the group which visited Bolivia in connexion with the study of Bolivia's economic development. He analysed the present status of the electric energy supply and the petroleum industry, as well as of prospects which they offered as dynamic factors in the development of Bolivia.^{17/}

79. In the Economic Survey of Latin America, 1956, an analysis

^{16/} United Nations publication, Sales No: 1957.II.G.2

^{17/} See chapter II of Part Two of the study on the Economic Development of Bolivia (E/CN.12/430/Add.1)

was made of recent developments in the field of energy and attention was drawn to trends which represented a departure from those of the previous year.^{18/}

80. This analysis consisted partly in exploring the possibility of enlarging upon a topic of special interest, namely the planning of electricity facilities in Latin America. Initial consultations have already been held on the experiences of organizations in those countries which have made the greatest progress in the field in question.

81. The secretariat endeavoured as diligently as possible to implement the various objectives set forth in the resolutions on energy in Latin America. The appropriate consultations with the Technical Assistance Administration, the Department of Economic and Social Affairs of the United Nations and other bodies were continued.

82. In response to a request from the Government of Argentina, a mission of international experts was organized, in co-operation with TAA, to study and locate the causes of the greatest losses in the generation and utilization of power (including electric power) and to suggest the most effective measures for eliminating them and for improving the efficiency of the system.

^{18/} See E/CN.12/427/Add.1, chapter IX.

83. Pursuant to resolution 100 (VI), the secretariat devoted attention to world events connected with atomic energy and its use for peaceful purposes. Stress is laid in the Economic Survey of Latin America, 1956 on the interest felt by the Latin American peoples in the possibilities of improving their energy supplies implicit in this field of research. At the seventh session, the secretariat is presenting a note by the Preparatory Commission of the International Atomic Energy Agency on the operation and basic characteristics of this organization and on the general work of the United Nations in the field of nuclear energy (E/CN.12/447).

84. In accordance with resolution 99 (VI), the secretariat initiated a preliminary study of the status of hydraulic resources in Latin America and of the possibilities of establishing a multi-purpose co-ordinated supply system. This study, which will have to be undertaken on a country-by-country basis owing to the nature of the work, will comprise in the first place an examination of existing statistical data on hydraulic resources, of the ways in which they are at present used for irrigation, power, navigation, etc., and of their development prospects.

85. In view of the experience of the various State organizations in Chile dealing with the most important aspects of water utilization, and also of the fact that the Chilean Government has requested the co-operation of the United Nations Technical Assistance Administration in this connexion, it was decided to

/begin the

begin the study with Chile.

36. The study is being made by a working group which includes an expert on electric power development, whose valuable services have been kindly lent by the the Government of France. The other members of the group are an ECLA economist, an expert on water utilization and an expert on water conservation legislation.

STUDIES ON AGRICULTURE AND LIVESTOCK

87. The secretariat continued its studies on agriculture and livestock under the ECLA/FAO Programme. As already mentioned,^{19/} studies were carried out in co-operation with FAO on the development of agriculture in Argentina and Bolivia, and work has begun on the corresponding study on Perú. Staff members of these two organizations, as well as experts of the Technical Assistance Programme under special contract for this purpose, participated or are participating, in the studies. Experts from the Inter-American Institute of Agricultural Sciences also collaborated in the study on agriculture in Argentina.

Argentina

88. The study of agriculture in Argentina covers aspects of major interest concerning (a) the historical development of agricultural production, consumption exports and investment; (b) the renewable natural resources such as soil, water, natural pastures, fisheries and forests; (c) the degree of technical

^{19/} See paragraphs 38 and 41

development of the agricultural and livestock industries; (d) land legislation and tenure; (e) economic and price policies; (f) status of agricultural research, extension services, training and instruction; (g) levels of consumption and nutrition, and other important features.

89. The study devotes special care to the analysis of the deterioration of natural resources which may have resulted from misuse, and on an evaluation of their potential effective capacity if properly conserved and restored. It also examines the possibilities of agricultural and livestock production, as well as of the fishing industry contingent on improved production methods and the expansion of the area under cultivation. In this connexion the analyses of the productivity of the various output factors essential to agriculture and the livestock industry, the mechanization of farming and the control of pests and diseases are particularly important. Finally, the study includes projections of production, consumption and exports for 1960 and 1965, and of investment and measures to promote it.

Bolivia

90. The fundamental purposes of the study on agriculture in Bolivia may be summarized as follows: (a) description of the present status of agriculture in Bolivia and analysis of the reasons for the present stagnation; (b) study of the crucial obstacles to the production and supply of agricultural and

/livestock commodities

livestock commodities, and their possible removal; (c) analysis of the future prospects of the principal commodities in regard both to domestic supply and to export; (d) estimate of investment requirements under a minimum development programme for this sector; (e) study of available physical, human, financial and administrative resources; and appropriate recommendations for their more efficient utilization; (f) measures for solving the problems arising from the recent land reform. ^{20/}

Peru

91. The purposes of the study of agriculture in Peru which will probably be made in 1957 will be similar to those described with respect to Argentina and Bolivia. Particular attention will be paid to the present gap between the levels of development and productivity of the highly mechanized coastal agriculture and those of agriculture in the upland regions, which, generally speaking is very backward.

Coffee

92. The study of coffee trends and productivity in Latin America was continued. The report on El Salvador is being submitted for the consideration of ECLA at its seventh session. ^{21/} It analyses the importance of coffee in the Salvadorean economy, the productivity of the various output factors in the growing and

^{20/} See the study on the Economic Development of Bolivia (E/CN.12/430/Add.1), Part Two, Chapter IV

^{21/} See E/CN.12/435

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processing of coffee, and possible future trends in coffee production, export and consumption.

93. The field work in Columbia, carried out with the full and generous co-operation of the Colombian Federación Nacional de Cafeteros, was also completed. The ECLA/FAO Working Group responsible for the research is now at Santiago preparing its ^{22/} its report which it is hoped will be ready by July of this year.

Livestock

94. The aim of the study on livestock production in Latin America is to ascertain the reasons for its low rate of development. It is planned to initiate research in seven representative countries.

95. Owing to the shortage of staff, the study has been delayed somewhat, but the research on Argentina has been completed and forms part of the study on the economic development of Argentina. The secretariat of the Commission has arranged for one of its agricultural economists to give the whole of his time to this project as from 1 May 1957, in order to expedite the work.

Prices

96. This study, the purpose of which is to determine the influence of price policy on the region's agricultural and livestock production, is now almost ready. Once completed, it might provide a basis for important discussion by the countries of the region with a view to determining the most effective general

^{22/} See document E/CN.12/438 for information on the progress of the study.

policy in this connexion.

Wheat production in Brazil

97. Early in the present year the ECLA secretariat completed this important survey, supplementary to the study on the Economic Development of Brazil.^{23/} It covers (a) the historical trend of the demand for wheat in Brazil and its importance to diet in the country as a whole and by areas; (b) a historical analysis of imports, of their origin and composition, and of the Government's import policy; (c) the development of domestic production and the support provided by the Government; (d) a critical examination of the characteristics of wheat-growing and of the employment of output factors; (e) the problems of soil conservation, mechanization and the general development of farming techniques; (f) the influence of the size of holdings, land tenure and capital formation on the efficiency and productivity of wheat-farming; (g) the shortcomings in transport and storage of wheat.

98. In conclusion, the analysis deals with the future possibilities of developing wheat farming, taking into account the extent to which the various output factors are available and the savings which may be effected in their use.^{24/}

^{23/} See E/CN.12/364/Rev.1, United Nations publication, Sales No.: 1956 - II G.2.

^{24/} A summarized version of the study will be found in the Economic Bulletin for Latin America, Vol. II, No.1, Santiago, Chile, February 1957, pp. 43 et seq. The final text will appear in the course of the year.

INTERNATIONAL TRADE AND FINANCE

99. The Trade Committee, established by the Commission at its sixth session (resolution 101 (VI)), met for the first time from 19 to 29 November in Santiago, Chile. It was attended by representatives of member Governments and by observers from other countries, specialized agencies and inter-governmental organizations. The following working documents were prepared for the session: Payments and trade in Latin America: Current problems (E/CN.12/C.1/3); Payments and the regional market in inter-Latin-American trade (E/CN.12/C.1/4); and Inter-Latin-American commodity trade in 1954 and 1955. Situation and prospects in 1956 (E/CN.12/C.1/5).^{25/}

100. The Committee adopted resolutions relating to the gradual establishment of a regional system for multilateral payments and the creation of a common market for selected products in Latin America. These resolutions are reproduced in the report of the Trade Committee to the Economic Commission for Latin America.^{26/}

101. In regard to payments, it became apparent in the Committee that it was the unanimous view of the clearing-accounts countries that their present balance-of-payments positions

^{25/} All these, together with the report of the session, are included in the study Inter-Latin-American trade: Current problems (E/CN.12/4.23), United Nations publication, Sales No.:1957.II.G.5.

^{26/} Ibid. pp 1 et seq.

/prevented them

prevented them, for the time being, from dispensing altogether with these accounts as a means of liquidating their reciprocal trade operations. But in order gradually to liberalize and expand such trade in terms of the complementarity of the natural resources of a large number of Latin American countries, and, further, in response to the new demand, created by economic development, for intermediate products and manufactures, various measures were proposed with respect to reciprocal payments. The following were the ends pursued: (a) the establishment by gradual stages of a multilateral system which would both facilitate intra-regional trade operations and constitute an important step towards liberalization and expansion of trade with other regions; and (b) the co-ordination, in the meanwhile, of the clearing accounts, to which greater flexibility could be imparted by the adoption of such principles as those relating to equal quotations for units of account and the convertible dollar, for the same operations; the fixing of prices at levels not higher than those prevailing on the world market, without the over-pricing characteristic of transactions effected through the clearing accounts; and the transferability of balances accumulated in the accounts to third countries in the region. Such transfers would be automatic when the balances exceeded the limit of the swing credits authorized by the Central Bank of the creditor country, and voluntary in the case of values below this level.

/In this

102. In this connexion, a resolution was adopted inviting the Central Banks of the Latin American countries to set up a Working Group which would study the possibilities for the gradual establishment of a multilateral payments system and suggest the appropriate measures towards this end in a report to be submitted to a subsequent meeting of the Trade Committee. The Working Group would be assisted by the ECLA secretariat, through which it could request the co-operation of the International Monetary Fund and other international agencies.

103. Furthermore, and again with the assistance of the secretariat, the Central Banks themselves were to undertake the compilation and periodic exchange of data on the situation of the inter-Latin-American clearing accounts, with a view to the transfer of balances in accordance with the basic principles indicated above. The same resolution established the bases for the co-ordination of the clearing-accounts system.

104. As regards the regional market, the Committee, considering that the future industrial development of the Latin American countries necessitates, alongside other factors, broad markets which will enable them to produce on a competitive basis, requested the secretariat to appoint a group of experts to project the possible structure of a regional market which would foster the healthy development of Latin America's industries, as a transitional step towards a more liberal system of multilateral trade. For this purpose the group will have to

/define the

define the characteristics of the regional market, study its possibilities and projections and make recommendations on the principles of agreement and procedure for its establishment within the Trade Committee's terms of reference. The first meeting of the group of experts on the common market is expected to take place during the second half of 1957.

105. In other resolutions the Committee took into account the fact that the problems created by duplication and idle capacity were reflected, in certain industries, in uneconomic operating conditions, and recommended that the secretariat should take an inventory of existing industries in Latin America in order to ascertain what remedial measures should be adopted.

106. The Committee adopted a resolution on intra-regional trade in traditional commodities in which it recommended inter alia, the gradual liberalization of such trade, marketing at world market prices, the abolition of State import and export monopolies and the replacement in current practice of short-term commodity trade agreements by a system of agreements of a sufficiently long-term nature to ensure steady production in the selling country and a regular supply for the purchasing country.

107. During the period 29 April to 11 May 1957 the working group on the multilateral payments system established by the Trade Committee held its first session at Montevideo, Uruguay. ^{27/}

27/ The results of this session are contained in a separate report to the Commission (Conference Room Paper No. 1), which supplements the Progress report by the secretariat on the work of the Trade Committee (E/CN.12/439).

ECONOMIC INTEGRATION OF CENTRAL AMERICA

108. The secretariat has continued to co-operate with and advise the Central American Economic Cooperation Committee, whose programme has been intensified and diversified.

109. The Committee held its fourth ordinary session in Guatemala in February 1957, after a year of considerable activity on the part of its sub-committees and working groups, and of preparation of basic studies and projects. The Committee decided to recommend to the Central American Governments that they should sign the draft multilateral free trade and economic integration treaty and the agreement on Central American integration industries. These measures represent a definite step towards the creation of a free-trade zone in Central America, and will encourage the establishment of new industries based on the common market constituted by the five countries. The preparatory work is progressing in connexion with the project for the establishment of a Central American pulp and paper plant, which, as recommended by the Committee, it is proposed to set up in Honduras. Further possibilities of industrial expansion are being examined, especially in regard to rayon and cotton textiles, the processing of livestock products, fishery products, glass and tin containers, insecticides, paints and varnishes, and others. Central American private enterprise took part in the preliminary study of these possibilities, through the Central American Industrial Initiatives Commission.

/110. Work has

110. Work has continued on the transport and energy studies, not only in regard to the examination and analysis of the problems involved but also regarding the introduction of co-operative measures between the Central American countries.

111. The work on statistical co-ordination has proceeded in the corresponding sub-committee, which consists of the directors of statistics and censuses. This sub-committee held its third meeting in Guatemala in March 1957.

112. The Central American Research Institute for Industry and the Advanced School of Public Administration continued their activities during 1956 in accordance with the programmes laid down by their governing bodies. The Institute is still at the organizational and initial stage. The School is now in its fourth year, and 140 pupils have already graduated from the two previous courses.

113. In regard to the Central American programme, the Governments continue to receive technical assistance from TAA, FAO, the ILO and UNESCO, in accordance with requests addressed to the Technical Assistance Board through the Central American Economic Co-operation Committee. Close co-ordination is maintained between the secretariat and the experts taking part in the programme. ^{28/}

^{28/} For a more complete description of the course and present status of the programme, see the following documents: Progress report on the Central American Economic Integration Programme (E/CN.12/431) (which includes the annual report of the Central American Economic Cooperation Committee 1956-57 (E/CN.12/CCE/103)), and Central American Economic Integration: development and prospects (ECN.12/422).

OTHER ACTIVITIES

Technical Assistance

114. Pursuant to a decision adopted at the tenth session of the General Assembly, the Secretary-General, on 1 June 1956, instituted a one-year experimental decentralization of the Latin America Office of the Technical Assistance Administration. ^{29/}

In view of the short period of time which had elapsed between the initiation of operations in Santiago and Mexico and the holding of the eleventh session of the General Assembly, which was to have considered the results of the experiment, the Assembly resolved to extend the trial period over the calendar year 1957.

115. The establishment of a technical assistance centre in Latin America was supported by the Commission at the Fifth Committee of the Whole (resolution 110 (AC.34)) and represented a further stage in the collaboration between the ECLA secretariat and TAA.

116. ECLA's co-operation consists essentially in providing information and advice based on the studies, knowledge and experience of its staff concerning economic problems and obstacles to development in Latin American countries. Thus, ECLA's work programme has made it possible for the secretariat to assist TAA and its experts mainly in the fields of economic development,

^{29/} The administrative aspect of the decentralization implied the division of the Office, which had formerly been administered exclusively from New York, into three parts: (a) the Director of the Office and three programme officers established a field office in Santiago, Chile, and have taken over the work of programming UNTAA activities for the ten South American republics; (b) two programme officers have been posted to Mexico City to undertake programming for Mexico, Central America and the Caribbean Area; (a) a small liaison group remained at Headquarters in New York.

/specific industries.

specific industries, transport and energy. ECLA's experience in other fields has also been valuable in view of its first-hand knowledge.^{30/} Frequently, ECLA studies have been used as a basis for determining the technical assistance needs of countries, which has led to the formulation of technical assistance requests from the interested Governments. Once these are processed^{31/} and the experts recruited, the ECLA staff is drawn upon for extensive briefing on the general background of the problem in hand and on the specific topic if it falls within ECLA's range of knowledge. Subsequently, close contact is maintained by TAA with the secretariat regarding progress in the assignments of the experts, and comments are made, where appropriate, on their monthly or periodic reports. The reports of the experts are also submitted to the members of the ECLA staff for a critical review of their contents and conclusions or recommendations.

117. A few examples of ECLA's role may be cited. The work of the Pulp and Paper Advisory Group, the purpose of which is to give technical assistance for the development of this industry in Latin America, is the result of secretariat studies on this subject, carried out with the co-operation of FAO, and ECLA continues to collaborate actively on this project. Recent requests by the Argentine Government for transport and energy

^{30/} In addition, the Social Affairs Division of ECLA gives similar advice on the matters within its competence.

^{31/} This phase includes extensive ECLA assistance in formulating job descriptions of experts.

Part 1

REVIEW OF PROJECTS AND ACTIVITIES

Introduction

1. During the period covered by this report the Commission's work, in which member Governments and some private organizations co-operated, has extended over a broad field. The programme of work, approved at the sixth session in 1955 and revised by the Committee of the Whole in May 1956, has enabled the secretariat to concentrate on the projects bearing on fundamental problems of economic development without, however, overlooking other aspects of economic development in Latin America.
2. A close working relationship was maintained with the Governments interested in the Central American Economic Integration Programme and with the Governments of those countries in which economic development studies are being carried out. Considerable assistance was received, in connexion with the field work on the transforming industries and on the coffee problem, from private organizations in the countries where this work was undertaken.
3. The Economic Survey of Latin America, 1956 is submitted to the seventh session in mimeographed form and the text should be regarded as very provisional. It will be published in printed form in 1957 once its final revision is completed.
4. The secretariat has continued to publish regularly the Economic Bulletin for Latin America. In February 1957, Volume II, No. 1, was issued and is presented to the seventh session.
5. The Commission's Trade Committee held its first session.

/The Committee

experts were based on ECLA surveys of the problems involved. Still another example is that of the studies of iron and steel making and transforming industries and the subsequent meetings of experts, held in collaboration with TAA, which clearly set forth some of the basic problems of these industries requiring technical assistance for their solution. Some requests for TAA experts have already been received, and it is expected that some of the recommendations for technical assistance made by the Meeting of Experts, held at Sao Paulo in October 1956, will be implemented. The Central American economic integration programme (referred to earlier in this report) is yet another special case, dating from 1953, where the Technical Assistance Programme (which includes specialized agencies as well as TAA) is closely connected and co-ordinated with the secretariat's overall studies and evaluation of technical and policy needs. This Programme has received its substantive direction from the Governments of the region through ECLA's Central American Economic Co-operation Committee, consisting of the respective Ministers of Economy.

118. One of the difficulties with which TAA has had to deal, especially in the early recruitment of experts and implementation of technical assistance projects, has been the fact that requests from Governments have often been stated in general terms. Therefore, during the first year of TAA decentralization in Santiago and in Mexico, ECLA gave particular attention to assisting TAA in defining precisely the detailed nature of the assistance required and preparing a careful specification of functions

/to be performed

to be performed by a given expert in the assignment requested by a Government. Some of the fields in which assistance has been given by ECLA in this respect are the following: railways, ports, power production and distribution, economic programming, social policy, industrial development, river navigation, cement production, metallurgy and chemical industries.

119. As indicated in section IV of document E/CN.12/432, since Governments have become increasingly aware of the possibility of utilizing technical assistance in their development programmes, requests have increased more rapidly than funds. This has raised the question of priorities and rendered it advisable for Governments to utilize scarce resources for technical assistance programmes that are adequately related to development needs and plans. Because the TAA programmes for countries in category I were already fairly well established by June 1956 when the TAA Latin America Office was transferred to Santiago and Mexico, the ECLA secretariat could not assist in their appraisal at the programming stage. However, the secretariat was consulted on the establishment of some category I programmes for 1957, and it is expected that, with regard to the 1958 programme, the secretariat will play a more active role in advising TAA on the evaluation of requests in relation to overall economic development. 32/ In this connexion, ECLA has agreed to make staff

32/ It should be noted that the Commission, at its fourth session in Mexico, recommended that the secretariat should help member Governments to appraise their needs for technical assistance and to formulate their requests for such assistance (resolution 12 (IV)).

/members available

members available to TAA from time to time as required to visit countries requesting assistance in this field. Recently ECLA also agreed to detail one of its senior officers to TAA for a longer period to act as economic adviser to a planning commission in one of the Latin American countries.

120. Finally, the secretariat is also being called upon to assist TAA in the evaluation and selection of fellowship candidates, and in the formulation of regional or national training programmes in matters related to economic and social development.

33/

Social aspects of economic development

121. The secretariat has continued to contribute to the theoretical and methodological work being done in connexion with the main social questions which have a direct bearing on Latin American economic development problems by undertaking studies during the period in question and by research into other socio-economic aspects of the region.

122. In this connexion attention should be drawn to the secretariat's study on the Economic development of Bolivia which outlines the social aspects implicit in the problems of economic growth, and to the Seminar to be held at the end of 1958, which the secretariat is organizing in close co-operation with UNESCO for the purpose of analysing the existing relationship between the process of urbanization and that of industrial expansion in

33/ The activities in this field have been described in detail in the Note on Social aspects of economic development (E/CN.12/437) which the secretariat has submitted to the Conference.

Latin America.

123. The other relevant activities carried out by the Commission include the following: project to found a demographic training and research institute for Latin America, which will enter into operation this year at Santiago, in co-operation with the University of Chile; and the organization of a regional Social Work Training Seminar to be held at Montevideo in July 1957.

Part II

RELATIONS WITH SPECIALIZED AGENCIES AND OTHER ORGANIZATIONS

124. The commission has continued to maintain close relations with the specialized agencies and other organizations interested in the economic problems of Latin America. In the preparation of its studies, the secretariat has requested advice and assistance from the various organizations in their specialized subjects, not only to ensure due co-ordination, but also to utilize their experience and knowledge. In this respect, special mention must be made of the assistance received from the United Nations Food and Agriculture Organization (FAO) on agricultural, livestock and forestry matters, and from the International Monetary Fund on payments and international exchange problems.

125. As in previous years, the International Labour Organization, the United Nations Food and Agriculture Organization, the United Nations Educational Scientific and Cultural Organization and the International Bank for Reconstruction and Development have collaborated with ECLA in the Central American Economic Integration Programme, especially by providing technical assistance in the projects included in that programme.

126. During the period covered by this report, ECLA and FAO have continued to collaborate in accordance with the agreements in force between the two organizations, and have continued the studies under the Joint ECLA/TAA Programme, under the direction of the chief FAO regional economist in Latin America. ^{34/}

34/ For more detailed information on the various joint activities of ECLA and FAO, see paragraphs 87-89.

/127. In the study

127. In the study on the economic development of Argentina the secretariat enjoyed the co-operation of the International Monetary Fund, which provided two of its economists to work on the analysis of monetary and exchange problems.

128. The International Bank for Reconstruction and Development sent a mission to Argentina and its members spent one week in Santiago to discuss with ECLA economists some of the aspects of the Argentine economy which had been specially examined by the secretariat in the course of a study on that country.

129. The secretariat held consultations with the World Meteorological Organization regarding the study on the utilization of water resources recently commenced with the collaboration of the Technical Assistance Administration.

130. In compliance with the various resolutions approved by the Commission, the secretariat has continued to co-operate and to co-ordinate its work with that of the secretariat of the Inter-American Economic and Social Council.^{35/}

131. The secretariat has continued to maintain its customary relations with the non-governmental organizations recognized by the United Nations as having consultative status, and the majority in category A have continued to send representatives to the various meetings of the Commission.

^{35/} For further details see E/CN.12/440.

/132. Finally,

132. Finally, it should be mentioned that at technical meetings such as the Latin American Expert Meeting on the Steel Making and Transforming Industries and the Trade Committee, the secretariat has benefited from the valuable advice of representatives of private organizations and institutions, mainly on industrial and market matters.

The Committee decided to study the possibilities of establishing gradually a regional multilateral payments system and a regional market for some commodities. In connexion with the payments system, a meeting of the working group appointed by the Committee has recently concluded its work at Montevideo, Uruguay.

6. In the Central American Economic Co-operation Committee the participating Governments made definite progress towards their economic integration by approving, with a view to its early signature, the text of a multilateral free trade treaty. Central American private enterprise has begun to participate in the discussions on industrial development. The preparations in connexion with the project for a Central American pulp and paper factory are progressing.

7. At the end of 1956, a Latin American Expert Meeting on the Steel Making and Transforming Industries, in which Latin American, European and North American technicians participated, was held at Sao Paulo, Brazil. The Meeting approved certain recommendations which, if adopted by the Governments, may have a far-reaching effect on the development of the industries concerned. In the meanwhile a study was initiated in Brazil on the possibilities of integrating the motor vehicle industry.

8. The ECLA/TAA Economic Development Training Programme began its regular course at Santiago, Chile, and a special intensive course at Rio de Janeiro, Brazil.

9. In co-operation with the Technical Assistance Administration, a Manual on Economic Development Projects was prepared, which

/constitutes a

constitutes a first attempt to disseminate the methods of preparing, presenting and evaluating investment projects.

10. The secretariat has completed its study on the economic problems and development prospects of Bolivia. The relevant report is submitted to the seventh session in mimeographed form.

11. The stage of research and of collecting data and information for the study on the economic development of Argentina has been concluded.

12. In order to examine the problems of external disequilibrium in Latin American development, the secretariat has prepared a study on Mexico which presents extremely interesting aspects based on Mexico's recent experience.

13. In accordance with the Joint ECLA/FAO Programme, the study on coffee in El Salvador has been completed and a similar study in respect of Colombia is in course of preparation.

14. The Latin American Pulp and Paper Advisory Group, sponsored by ECLA, FAO and TAA, has begun its work and has drafted reports on the status and prospects of ^{the} industry in Argentina and Chile.

ECONOMIC SURVEY

Economic Survey of Latin America, 1956 (E/CN.12/427)

15. The Economic Survey of Latin America, 1956 (E/CN.12/427) is the eighth of the series prepared by the Commission. It contains a general study of the economic development of Latin America during 1956, based on an interpretation of the most outstanding /events which

events which have occurred during that year.

16. The Survey is divided into two parts. Part one analyses Latin America's rate of economic growth in 1956 and the various contributing factors. In view of the great importance of the external sector in the economic growth of the Latin American countries, a substantial portion of part one is devoted to this sector. After analysing exports and the balance of payments in 1956, and in order to place the analysis in its proper perspective, the behaviour of the external sector over a ten-year period is studied with particular reference to its bearing on economic development. In this connexion, the evolution of the capacity to import, the changes in the structure of imports and the vulnerability of the internal economy to the adverse effects of the external sector have been taken into account.

17. Part two of the Economic Survey (E/CN.12/427/Add.1) analyses production trends in agriculture, industry, mining and energy. The chapter on the agricultural situation includes a special study on productivity in this sector in various Latin American countries in respect of certain commodities, and compares Latin American productivity with that of countries outside the region. This is the first time that a study of this nature has been dealt with on such a comprehensive scale.

18. In 1956, the rate of development in Latin America showed a downward trend and gross income increased only at the same rate as the population. This was partly due to stagnation in

/per capita

per capita income in Argentina and Brazil and to the decline in Bolivia, Colombia and, especially, Chile. On the other hand, in some countries, including in particular Mexico, Peru and Venezuela, per capita income increased.

19. In Latin America as a whole and in the great majority of the individual Latin American countries, income accruing from the external sector showed a marked upward trend, or at least maintained the rather high level registered in 1955. The greater volume of exports more than offset a slight deterioration in the terms of trade, the most notable exception being Argentina, where the terms of trade deficit completely nullified a slight increase in sales abroad. World demand for the primary commodities exported by Latin America was generally steady and expanded considerably in the case of certain items such as coffee, sugar, wool and petroleum. Although the United States increased its sales of surplus cotton, there was no falling-off in the total volume of Latin American exports. In addition, it should be stressed that no country in Latin America registered an accumulation of surplus exportable primary commodities. The fact that these relatively favourable external factors failed, in many cases, to have a decisive influence on per capita income was mainly due to the depressive effect of various internal factors.

20. Firstly, there was a decline or stagnation in agricultural production because of the bad weather conditions prevailing

/through out almost