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PREPARATION FOR PROGRAMME APPRAISAL FOR 1959-1964

ECONOMIC COMMISSION FOR LATIN AMERICA

Note of transmittal by the Executive Secretary

1. The Executive Secretary presents herewith to the Commission for its attention his contribution to the Secretary-General's appraisal of the scope, trend and cost of the regular United Nations Programme in the Economic, Social and Human Rights Fields for the period 1959-64, made under the terms of Economic and Social Council Resolution 665 C (XXIV), as clarified and amplified in Council resolution 694 D (XXVI).
2. Following the directives and decisions of the Economic and Social Council and the General Assembly, the Economic Commission for Latin America at its seventh session, in May 1957, reviewed the main field of its activities with a view to achieving concentration and co-ordination of its work programme, taking into consideration its limited resources. It took note of those projects which had been entirely or substantially completed and decided to eliminate a number of projects (seventeen in all) the substance of which was either contained in broader subjects or could more appropriately be undertaken by other agencies. A number of projects were also placed in a lower-priorities category. This action was a reflection of the increasing concern to concentrate efforts on the most urgent problems of economic development and on regional trade. Nevertheless, it should be noted at this point that the secretariat has not been able to complete even the minimum high-priority programme adopted at the seventh session and approved by the twenty-fourth session of the Economic and Social Council. While work is proceeding on most of the projects directly
/related to

related to economic development and regional trade, there are several on which work has started but is not well advanced, and there are others on which work has not yet been started. The most important among the latter are shown in the relevant sections on the discussion of the programme for 1959-64.

3. The principal reason for the delays and postponements in the work programme has been that more and more of the secretariat's resources have had to be used for studies and activities directly related to the gradual creation of a regional market and a multilateral payments system in Latin America. Reference will be made to this problem at the end of the appraisal in connexion with the estimated additional resources that will be required to carry out the work programme of the Commission as tentatively envisaged for the next four or five years.

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BASIC NEEDS AND THE ROLE OF THE COMMISSION IN ASSISTING
GOVERNMENTS TO MEET THESE NEEDS

1. Ever since the Commission was established, over ten years ago, it has recognized that the basic needs of Latin America are to accelerate the rate of economic growth and strengthen the economic relations among the countries of the region and with other countries of the world.

Economic development

2. In the final analysis, economic development is an urgent social need. The rate at which productivity increases in economically under-developed countries is notoriously slow, and despite the rise in per capita income in Latin American countries since the Second World War, there is a marked disparity between them and the great industrialized countries in this respect. The rate of population growth in Latin America is among the highest of all areas of the world. It is estimated that by 1975 Latin America's population will be approximately 295 millions, which represents an increase of a little more than 50 per cent over the estimated present population. Of the total increase of 100 million, about 35 million will have to find gainful employment; and of these perhaps not more than 5 million will be needed in agricultural production, leaving some 30 million to be absorbed by industry, energy production, transport and essential services. If it is assumed that the standard of living (as measured by per capita income) is to rise at the rate of 2 per cent per year which can hardly be considered an accelerated rate, then the gross product will have to be somewhat more than doubled by 1975, with agricultural production increasing by 70 per cent and industrial production roughly two and one-half times. In order to achieve a national income growth of 3 per cent per capita, industrial production would have to rise by about three times over the present volume. These preliminary estimates are based on a moderate rate of growth of Latin America's exports to the rest of the world. If such exports should increase at a higher rate, industrial production could be somewhat lower to meet total demand for manufactures, but this would lessen only slightly the pressure to accelerate industrial development. This in turn will require a

/speeding-up of

speeding-up of investment and technical progress and the best possible allocation and utilization of available material and human resources. The role of public investment in providing the infrastructure for economic growth and of government policy in providing the conditions and incentives for the development of new dynamic industries will be decisive in determining the extent to which these targets may be reached or, in some countries, exceeded.

3. Already at the earliest meetings of the Commission - 1949, 1950, 1951 - Governments realized that a vigorous development policy was required if economic growth was to be accelerated. It was during this period that the Governments established the basic pattern of work and activities for the Commission and the secretariat. This programme has evolved and has been greatly expanded, but the central concept motivating the work has remained essentially the same; namely, that effective economic policy and programming must be based on facts and systematic analysis of national economies and a correct interpretation of the process and prospects of growth. These are requisites common to all Latin American countries, although the need for assistance in providing them is considerably greater for some countries than for others.

4. In addition to intensive work of a fact-finding nature, several studies and activities were undertaken during the first five-year period, for the purpose of defining the more fundamental economic problems and in order to analyse and interpret the process of growth in Latin America. In this connexion mention should be made of the Economic Surveys for 1949 and for 1951-52, Some Practical and Theoretical Problems of Economic Growth (1951), and The Technique of Programming (1953). The Economic Survey, 1949 was a first attempt to analyse the relation of foreign trade and the terms of trade to economic development. This, together with later studies, showed that for most Latin American countries in the process of growth, demand for imports grows faster than national income while exports tend to grow more slowly than income, thus creating a gap - in some cases a very substantial one - between import requirements and the capacity to import; and that in so far as export earnings cannot be increased, this demand-import capacity gap can be closed only by import substitution.

ECONOMIC COMMISSION FOR LATIN AMERICA
PROGRAMME APPRAISAL FOR 1959-1964
Prepared by the Executive Secretary

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/BASIC NEEDS

Trade and economic development

13. Reference has already been made to the role of trade and import substitution in economic development. The secretariat has continuously studied the trends and problems of trade, and much of the material produced has been published in annual Economic Surveys. These studies have included: fluctuations in the terms of trade and their effect on economic development; the relation of demand for Latin American export commodities in the industrialized countries to the import requirements of the expanding economies of the region; the need to expand exports in order to meet the rapidly growing demand for imports of capital goods, intermediate products and essential consumer goods; the effects of industrialization on the composition of imports and the external vulnerability of Latin American countries; the possible repercussions of the creation of a European common market on Latin American exports; and the trade balance in food and other agricultural products of the individual countries of the region.

14. However, the major emphasis of the Commission in the field of trade has been to stimulate intra-regional trade and economic relations. Latin American countries have a common cultural heritage and, to a large extent, a similar historical background, which appear to give to this region a wider measure of homogeneity than may perhaps be found in any other region. Nevertheless, economic relations have been extremely limited. In fact, no serious and effective attempt to organize a planned co-operative programme for trade and economic development was made prior to the creation of the United Nations Economic Commission for Latin America and the Inter-American Economic and Social Council, both in 1948. These two organizations have collaborated and co-ordinated their activities, and the two secretariats have maintained close liaison in order to avoid any duplication of effort and to ensure co-operation on common problems.

15. In 1954, the ECLA secretariat, in accordance with a resolution adopted by the Organization of American States at the Tenth Inter-American Conference held at Caracas early that year, co-operated with the IA-ECOSOC in the preparation and work of the Meeting of Ministers of Finance and Economy held in Rio de Janeiro in November. With the assistance of six outstanding Latin Americans, the ECLA secretariat prepared a report, International Co-operation in Latin American Development Policy, which

/analysed the

analysed the capital requirements and technical needs of economic development programmes in Latin America and set forth a comprehensive set of international policies and measures for the expansion of trade and acceleration of economic growth in the region. This report was based on the studies, conclusions and experience of the Commission since its establishment. It was submitted to the Rio de Janeiro Meeting after its preparation had been approved by the ECLA Committee of the Whole. The group of six Latin Americans presented, on their own authority, a number of specific recommendations for carrying out the aims and policies in question. Among other things, they called for a new approach to problems of trade reciprocity and tariff protection with a view to stimulating industrialization; they recommended concerted action to reduce the external vulnerability of Latin American countries; they suggested methods for the periodic and more systematic revision of economic development policies and the fulfilment of measures for international co-operation among the Latin American countries; they pointed out the need to establish targets for foreign investment in the region and recommended the creation of an inter-American fund for industrial, agricultural and mining development, a project which had been advocated for many years by the Latin American countries. The Rio de Janeiro Meeting appointed a committee of experts to study the proposed establishment of an investment fund and to make recommendations to the IA-ECOSOC and its member Governments. The ECLA secretariat subsequently participated, in an advisory capacity, in the committee's deliberations. Although the Governments did not on the committee's proposals, the idea of creating such a fund in the form of a banking institution has been revived and is now being actively pursued by the Committee of Twenty-One recently set up within the Organization of American States.

16. One of the main reasons for the lack of an over-all international policy of development and trade and of economic co-operation among the Latin American countries has been the fact that up to the Second World War there was little complementarity in the structure of their production, and that their economies were geared primarily to the production of raw materials for export to other regions. Development during the post-war years and diversification into new lines of production accentuated changes in the structure of their

/economies which

5. The need for systematic studies of national economies motivated a study on the technique of programming, a preliminary version of which was presented to the fifth session in 1953. This study presented a method for analysing and projecting the economic growth of a country, and the sectoral investment requirements and priorities that would have to be established to accelerate growth. This technique has been applied by the secretariat in a series of country studies carried out since then.
6. Closely related to the need for the preparation of basic data and analyses for policy making and development programming is that for training economists equipped to do this work and to form the nucleus of the staff required by programming agencies. In accordance with a resolution adopted by the Commission at its fourth session, in 1951, an economic development training programme was started with the collaboration of the Technical Assistance Administration. The influence of this programme is being felt increasingly in many directions, and one result of this should be eventually to relieve the secretariat of the preparation of country studies.
7. Moreover, in connexion with this programme a manual on economic development projects was prepared, to serve as a practical tool for Latin American economists. The results achieved with the manual have proved of such positive benefit that it would be desirable to prepare similar manuals in future to cover other aspects of development programming.
8. During the second five-year period (1953-1958), the work of the Commission in the field of economic development has steadily expanded. Perhaps the most fundamental studies made by the secretariat during these years have been those of the economic development of individual countries. Altogether, there have been ten such country studies, which have provided not only the bases for formulation of economic policy but also understanding of problems common to the region as a whole. In this respect, they have been particularly useful in showing the changes in the structure of an economy which take place with development, and the sectors in which investment priorities need to be established.
9. Simultaneously with the country development studies, a series of studies of specific industries have been carried out and work on problems of transport and of the development of energy production and utilization

has been started by the secretariat. All of these studies, while concentrating their analysis on a particular sector or branch of the economy, have been related to the requirements of over-all development. Among the subjects studied have been the iron and steel making and transforming industries and the pulp and paper, textile and chemical industries. The iron and steel and the pulp and paper industries studies were submitted to meetings attended by highly qualified experts not only from Latin America but also from Europe, Canada and the United States.

10. These studies have shown clearly some of the problems faced by industry in Latin America, in particular its difficult competitive position vis-à-vis imports, its dependence on imported raw materials, the shortages of trained personnel and of facilities for training, the lack of systematic studies on the size of the potential markets, and the difficulties encountered in technological adaptation to machinery and equipment designed for countries in more advanced stages of industrialization. Moreover, it has become fairly clear that the countries concerned have successfully reached the stage of manufacturing most of their consumer goods, and that they are now entering upon the more complex stage: the manufacture of durable consumer goods, capital goods and intermediate products.

11. The need to stimulate and to modernize the techniques of agricultural production as a primary requisite for general economic development has been a continuous concern of the Commission and in this connexion close collaboration has been maintained with FAO. The agricultural sector has been fully analysed in each of the country studies; and trends in agricultural production have been studied in the annual Economic Surveys. A number of special studies on specific aspects and problems of agriculture have been studied by a joint ECLA/FAO Group within the secretariat. The work of this Group has been gradually expanded, and as will be seen later in the discussion of the future work programme it is planned that the Group will enter more deeply into technical and structural problems of agriculture.

12. The human factor has not been neglected in the development studies. Work has been done on manpower problems, embracing the growth of the labour supply, the structure of employment and changes in this structure, labour productivity and problems of qualified manpower, urban problems and social aspects of economic development.

economies which had already been taking place and created new opportunities for the intensification of commercial relations between them. At the same time, there was a growing awareness that the narrowness of national markets would set limits to the extent of import substitution that would be economically feasible without the economies of scale that go with specialization and broader markets.

17. One of the first efforts made through the Commission to achieve complementary development took place in Central America. As early as 1951, the Commission, in compliance with the wishes of the Central American Governments, took the first steps towards the economic integration of the Central American Republics, and requested the secretariat to explore ways and means of implementing this objective.

18. In 1952, the Ministers of Economy of the Central American Republics met at Tegucigalpa to discuss the possibilities of integrating their economies, taking into account the background material prepared by the secretariat. They decided at that time to establish a permanent committee - the Central American Economic Co-operation Committee - which Panama was invited to join at any time.

19. This Committee, which was ECLA's first subsidiary organ, has the following main functions: to advise Governments on measures for the gradual and progressive integration of the economies of the Central American Isthmus and the co-ordination of national programmes of economic development; to determine the research and studies to be undertaken in relation to the integration programme; and to co-ordinate and channel the utilization of technical assistance for the programme. The Committee has received support in its work from the United Nations Technical Assistance Administration and the specialized agencies. A joint Working Group, including representatives of TAB, ECLA, FAO, TAA, the ILO and UNESCO, has advised the Committee on the formulation of applications for technical assistance, and on the studies that should be carried out on the basis of a co-ordinated programme.

20. The basic objectives of the economic integration programme which has been drawn up in the course of the Committee's five sessions are to create conditions in which Central America as a whole may give greater impetus to its economic development and lay firmer and more diversified foundations

for improving the living standards of the population in the region.

The targets included in the programme are: (a) the establishment of a common market; (b) integrated industrial development in the region; and (c) co-ordination of fundamental aspects of the agricultural economy of the area and of other basic sectors.

21. Economic integration in Central America is a way out of the limitations imposed on economic development by the smallness of the five national markets. It will permit the establishment of some types of industries whose minimum economic size requires a market larger than that of any of the countries individually considered. Moreover, the unification of the five markets will progressively lead to over-all schemes of development in which the existing natural resources, manpower and capital are put to the best possible use. To facilitate and stimulate the fulfilment of these general objectives it has been necessary to undertake study of the possibilities of widening the basic economic facilities - such as transport, communications, electric power etc. - from a regional standpoint and to carry out studies and research on natural resources, manpower, trade, industrialization and agricultural development on a Central American scale. A start has also been made in studying some social aspects of the economic development of the area.

22. Because of their size and geographical location and their relatively equal levels of development, the need for and the benefits to be derived from economic integration seem to be quite evident for the Central American countries. Although the practical problems that must be solved in creating a regional market for the Latin American countries as a whole are very much more complex, owing mainly to the great disparities between their levels of development and the size of their national markets and to divergencies between their national interests, the necessity is, in the long run, equally great. The approach will have to concede more flexibility to individual countries, in order to allow them to protect their national interests and to adapt the structure of their production and trade to that of the regional market.

23. It is significant that when the Commission established the Central American Economic Co-operation Committee it also requested the secretariat to make a thorough study of the problems and obstacles to inter-Latin American trade and of measures that might be taken to expand such trade. The first report, which embraced only the southern South American countries, was submitted to the fifth session, in 1953. This study was then extended to all Latin America, and included inter-Latin American payments as well as trade. On the basis of the study, the Commission fully discussed the problems of trade at its meeting in Bogota in 1955, and decided to create a Trade Committee, requesting it to pay particular attention to the need to expand inter-Latin American trade. The Trade Committee held its first meeting in November 1956, at which time it agreed in principle on the desirability of establishing a regional market and requested the secretariat to set up two groups of experts: one to study the possible structure of a regional market; and the other to study the feasibility of establishing a multilateral payments scheme for Latin America.

24. The meetings and reports of these two working groups are discussed later, in connexion with the future work programme of the Commission. At the same time, it should be stressed here that the Commission has placed the highest priority on all aspects of the work relating to the gradual creation of a common market.

/THE FORWARD

THE FORWARD LOOK 1959 - 1964

25. As indicated above, the work programme of the Commission has gradually evolved from one in which fact-finding and basic studies of economic growth and problems, both for individual countries and for the region as a whole, were predominant to one in which more and more the Commission is becoming an instrument for practical action by the member Governments. This does not mean that the systematic collection of statistical data and other information and analysis of fundamental problems is any less important now than it was before, but rather that practical needs are compelling the Commission to expand its activities. Therefore, in appraising the programme for the next five years it should be kept in mind that while the broad aims and objectives are to assist Governments in connexion with economic development policy and intra-regional co-operation, the underpinning for these activities must continue to be research and economic analysis.

26. The programme is presented under the following headings:

- Current economic trends
- Acceleration of economic development
- The common market
- Industry
- Joint ECLA/FAO Programme on Agriculture
- Natural Resources, including energy and water
- Social aspects of economic development

Current economic trends

Economic Survey

27. Gradually, the preparation of the annual Survey has developed into one of the Commission's more important tasks, and one on which the different members have laid great stress at each succeeding session of the Commission.

28. The early Surveys concentrated primarily on the collection and analysis of data on current Latin American economic trends and the impact of these and of external events on the economies in the region. It is felt that the time has now come to develop a longer historical perspective; research put into such a project should yield high returns, for ECLA has now compiled a vast amount of material on trends in most of the leading countries.

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Moreover, the question of the rate of economic growth and its influence is becoming more and more important with every year that passes.

It is anticipated that over the next five years the Survey (like the Bulletin) will continue to contain a discussion of recent events, but will devote a much smaller proportion of its space - perhaps only a third - to this discussion.

Thus, it is envisaged that future Surveys will consist of:

- (i) A short general analysis and interpretation of current events in Latin America.
- (ii) Special articles on, for example, inflation; anti-inflationary policy, rates of economic growth and the long-term influence of these rates, problems of industrialization and so forth; in other words, on special aspects of economic development policy.
- (iii) Systematic analyses, presented every three years or more, on such sectors as agriculture, industry, transport, mining and energy.

29. Subject to the exigencies of changing conditions and to the Commission's requests, plans have been made for special studies during the coming years on the following subjects:

(1) The course and causes of inflation in Latin America. This is a constant and pressing problem for many countries in the region. Attention would be given to the question of how much the stagnation of exports has aggravated the situation in some countries by causing shortages of essential imports. An attempt would be made to show the conditions for prices remaining stable (or climbing only slowly) during a period of economic development, by examining the influence of general excess demand, specific "bottlenecks", and wage-pressure in Latin American experience. Particular study would be given to the effects of different types of banking structure, monetary policies, and foreign exchange systems.

(2) A comparison of rates of growth. Great and increasing interest is being shown in the rates of growth of under-developed countries. This study would compare rates of growth within the region and attempt to assess the main influences. Its findings would be related to those of the studies of growth being made for other regions, developed and under-developed. The analysis would start with population trends, distinguishing between economic growth in over-all and in per capita terms and including,

/where relevant

where relevant, an assessment of the effects of migration. This would be followed by investigation into the structure of the economy, using industrial and agricultural production series, and a discussion of the relationship between export earnings and growth, against the background of the changes in total world demand for primary products and of Latin America's share in this demand. Lastly, the study would deal with the relationship between investment and growth, with some attempt to indicate the contribution of each to the other.

- (3) The scale and effects of industrialization (see section on industry).
- (4) Agricultural aspects of development (to be undertaken in connexion with the joint ECLA/FAO programme).

Economic Bulletin

30. The Commission had for some time needed a publication in which it could introduce periodic reports on its work - not only on the practical studies carried out but also on the more fundamental scientific or theoretical research which it undertakes, sometimes in collaboration with distinguished consultants. Accordingly, a special review was prepared for the sixth session (1955); and since then the Economic Bulletin has been published twice yearly to fulfil the purposes required. As the Bulletin is intended to cover the gap between the annual appearances of the Survey, each issue usually contains one or more articles on recent economic developments. In addition, there have been articles dealing with commodity markets (coffee, meat, bananas), with the economic problems of particular countries, with theoretical aspects of development programming (as for instance the input-output model), and with problems of special practical interest to the region (trade with the countries forming the European Common Market, the energy problem, index number clauses in Government bonds, United States imports from the region, and so forth).

31. The statistical supplements started at the end of 1958 will be a regular feature in future Bulletins and will, it is believed, meet a real need in the region. Moreover, the Bulletin, in addition to its comments on recent events, will continue to publish special articles on methodology, some of them by outside contributors. Articles dealing with specific current problems will also be featured.

Statistics

32. Statistical work has in the past been directed towards (a) the provision of material needed on an ad hoc basis for specific economic studies, and (b) the establishment and maintenance of permanent series which could be used as the basis for further tabulations in the future.

33. The amount of data accumulated on a permanent basis has now reached sizeable proportions and has gradually reduced the need for statistics of an ad hoc nature. Moreover it is this accumulation of permanent series which has made possible the production of the statistical supplements to the Bulletin just referred to. There are now series available on national income, production (agriculture, industry, mining and energy), trade and finance, and various miscellaneous series on subjects such as manpower, population, wage rates, transport and cost of living. Derivative data such as per capita production, capital-output ratios, etc., which combine many of the above categories, have also been developed.

34. Despite the progress achieved, there is still much that must be done to improve statistics within the region and to strengthen the statistical basis of ECLA's work. A programme has been prepared with two main objectives:

(a) to develop and maintain series covering national and regional statistics in the main fields, to assess the reliability of these series (particularly at first hand) and to guide economists in their use;

(b) in collaboration with the Statistical Office of the United Nations, the Inter-American Statistical Institute and other relevant international organizations, to stimulate national statistical organizations towards a further development of their work and towards greater standardization.

35. This work is urgently necessary if ECLA/Governments economists and other interested groups are to have available the best possible statistical service on which to base their studies.

36. There are plans to extend the statistical supplements published in the Bulletin and to add a statistical abstract for Latin America.

37. Work already envisaged for the near future includes the preparation of a manual to guide economists in statistical practice, and the calculation of purchasing power parity ratios for international comparison, based on price data collected in the various countries. In regard to national income, it is intended to enlarge the scope of the series, making greater use of data on current prices. For trade, it is hoped to expand the amount of data processed by machine methods so as to cover, as a minimum, the values and quantities of exports of all main products to destinations both within and outside of Latin America. As regards agriculture, mention may be made of work planned jointly with FAO for unifying procedures in the establishment of production series for the region. For industry, it is planned to continue collaboration with national statistical offices with a view to providing better index series in countries where data are at present deficient or non-existent.

38. Nevertheless, these plans for improving the statistical background so essential for sound economic analysis cannot be realized without a corresponding strengthening of ECLA's statistical services. Hitherto, the number of statisticians and computers has not kept pace with the number of economists seeking to use their data, nor have experienced statisticians been made available to deal with problems in specific fields. These deficiencies must be remedied, and any future programme must be accompanied by an increase at all levels in the number of statisticians. Only then will it be possible to avoid serious bottlenecks, and will ECLA be able to provide the amount and type of information needed in its work.

Acceleration of economic development

39. For several reasons - in particular the heterogeneity of basic economic conditions - the studies of the different countries must be continued; but the approach used up to now requires resources that are beyond the secretariat's reach. Concentration on the problems of diagnosis and closer co-operation with national agencies, as in the case of Costa Rica and Panama, may reduce the manpower requirements of such studies to three or four man-years per country.

40. Moreover, the next five years will see an increasingly marked shift of emphasis in ECLA's work towards direct assistance to Governments in the framing of their development policies. Governments are already asking the Commission to help them in four different fields: (a) the establishment of planning agencies; (b) methods of planning and estimating investment requirements; (c) the establishment of public investment priorities; and (d) the implementation of development programmes.

41. One method of providing the assistance required is to constitute mixed working groups of ECLA staff and staff provided by the Governments concerned, drawing upon the advice and resources of the United Nations technical assistance programme.

42. In this latter connexion, the ECLA/TAA Economic Development Training Programme is assuming growing importance, for Governments are finding that in order to establish planning agencies, particularly those relating to budget planning, it is essential to have trained technical staff who can assemble the necessary data and carry out the studies on which a development policy must be based. It is for this reason that Governments have been showing increasing interest in the special intensive training courses of 70 to 100 students, including senior civil servants, banking officials, professors and engineers. Six such courses have already been held in Argentina (1), Brazil (3), Colombia (1) and Venezuela (1). Four have been requested for 1959 - in Argentina, Brazil, Colombia and Peru - and it can be safely assumed that these courses will have to be expanded and extended over the next five years.

43. Through the regular training programme and the intensive courses, and through the secretariat's economic development studies, countries

/are being

are being provided with some of the instruments they need in order to help themselves. This in turn will reduce the resources hitherto required by the secretariat for country studies, as has been the case with the economic development studies of Central America, where some of the countries concerned, through their own agencies and universities, are conducting the studies themselves in direct collaboration with the Commission's staff.

44. In view of the importance to the region of improvements in the teaching of economics, the secretariat, with the collaboration of UNESCO, proposes in 1959/60 to investigate teaching and training facilities. A small ECLA/UNESCO team, headed by an outstanding personality in the academic world who will be commissioned by UNESCO, will make a comprehensive study of university teaching methods in four or five Latin American countries.

45. The problems which have come to light in the course of the secretariat's work over the past ten years indicate clearly that ECLA's activities in economic development should, during the next five years, cover at least the following fields: (a) the elaboration of medium and long-run development programmes in co-operation with governments upon their request; (b) the analysis of economic policy; (c) economic integration (see section on the regional market); (d) the financing of economic development; (e) qualified manpower; (f) improvements in the tools of analysis; (g) regional development within a country; and (h) transport.

The elaboration of national medium and long-run development programmes

46. ECLA's economic development country studies have thus far included the projections necessary for the formulation of development programmes. However, as this procedure is too time-consuming and, furthermore, as projections need to be revised annually to be of real value - a task that only the countries themselves can undertake - ECLA should shift its efforts towards assisting countries in establishing their own development programme-making machinery. With a team of four or five experts, the secretariat could undertake this work for two countries each year. These experts would identify the main development problems of

/the country

the country concerned, and with the assistance of staff assigned to the team by that country would establish the procedures for analysing these problems and for seeking solutions. The secretariat would help to organize the research and operating agencies that would have to participate in the preparation and implementation of the programme, and would give assistance in training personnel in the field of development programming and project making.

Analysis of economic policy

47. Although ECLA's techniques for quantifying consistent production targets have been continually improved, work on methods for evaluating the instruments of policy necessary for achieving such targets has had to lag behind owing to lack of resources. In particular, a methodology for evaluating policy in actual cases is needed. Fiscal policy, for example, plays an extremely important role in Latin America as regards both growth and stability; yet it is not always known how it operates and whether its net influence is positive or negative. Some work is being done at present in the case of Chile, in preparation for the Budget Workshop to be held in the first half of 1959, organized jointly with the Fiscal and Financial Branch at Headquarters and with the United Nations Technical Assistance Programme; but for comparative purposes the experience of other countries should also be analysed.

48. Furthermore, there is urgent need to study the process of policy making, which is seriously deficient in the countries of the region. The study should examine the way in which objectives are determined, the type of information available and utilized for choosing targets and policy instruments, and the procedures used for purposes of co-ordination and for the evaluation of the effects of Government policy.

Financing of economic development

49. It is essential to study the methods of financing economic development which are being used in Latin America. In most countries of the region even a consolidated capital account is lacking, so that it is not known to what extent investment is currently financed from re-investing earnings or from personal savings. Still less is known of transfers of savings from one sector to another, or of the ways and

/means whereby

means whereby transfers take place. All this information must be made available before the guiding lines can be laid down for less inflationary investment financing policies.

The problem of qualified manpower

50. Some work on manpower problems has already been done, but it is highly necessary to complete and extend the survey of qualified manpower needs and availabilities, since the shortage of such manpower constitutes one of the most serious bottlenecks in most countries of the region. This study could be undertaken in collaboration with other international agencies.

Improvements in the tools of analysis

51. It would be of great value, both scientific and practical, to generalize the lessons derived from the development experiences of Latin American countries. In particular, it would be useful to evaluate the influence of the common and individual elements revealed in the studies made so far.

52. Moreover, ECLA's experience has shown that the existing techniques of programming are open to substantial improvement, and that their applicability at more specific levels needs to be checked. On the other hand, there are newer methods such as linear programming whose applicability remains to be tested. It would be of great interest to hold a seminar with the participation of technicians from, say, the development corporations and experts with experience in over-all programming for the discussion and evaluation of their own and ECLA's experience.

53. Finally, while the fiscal budget is by definition a programming tool, the techniques at present in use in Latin America are for institutional and technical reasons, extremely deficient, particularly as regards the proper calculation and presentation of estimates, the establishment of priorities and the provision of adequate economic information. Serious efforts must be made to remedy these deficiencies and to assist Governments to improve their budget-making procedures. Some progress in this direction will be made in connexion with the Budget Workshop mentioned earlier.

Regional development within a country

54. For historical and geographic reasons, most Latin American countries are characterized by wide differences in standards of living among areas within their own boundaries. This is a problem of balanced growth which has so far not received sufficient attention, although it is a matter of concern in most countries of the region. ECLA's studies should suggest the means available for reducing internal differences of per capita income, and may also shed light on the problems that may arise in this respect with increasing integration. Since ECLA's experience in this field has so far been limited, there is much to be learned as the studies proceed, and special research will be needed, in view of the methodological problems involved.

Transport

55. Early in the secretariat's studies on economic development and intra-regional trade, it became increasingly evident that there were serious deficiencies in the basic sector of transport which would constitute a growing drag on the development of the national economies and on trade among the countries in the region.

56. In addition to transport studies related directly to the work on the regional market and described under that heading, sections on transport have been included wherever possible in the economic development country studies. In the particular case of Argentina, a detailed survey and analysis was made of the transport sector and of the material and financial requirements for its rehabilitation and modernization over the next ten years, as a basis for the future economic development of the country. In addition, there has been careful collaboration with the UNTAA railway experts assigned to Argentina, and a considerable amount of time has been devoted to comments and criticism of their reports.

57. As a logical development of these earlier activities, work in the sector of transport will continue in the future to be closely geared to the main effort of the Commission towards the economic development of the area and the common market. Transport studies will be oriented primarily towards the practical policies applied in these two major fields.

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58. Nevertheless, the next five years should see an intensification of the work on transport, in the form of advice to Governments and studies of the obstacles to development raised by inadequate means of transport and communication. For this purpose, increased resources will be necessary, since so far the resources available have been entirely inadequate.

The common market

59. No matter what plan is eventually decided upon by Governments for proceeding with the programme for the gradual and progressive formation of a Latin American common market, it is evident that the next five years will be an important transitional period, and that the secretariat will be called upon not only to prepare the necessary technical studies on various subjects affecting the common market, but also to act in an advisory capacity and to assist in promoting inter-governmental action to attain the desired objective.

60. In order to ensure that the new directions imposed by economic development and international conditions on the trade policy of the Latin American countries are effectively followed, these countries will have to undertake a broad and co-ordinated re-organization of the tools by which this policy is carried out: customs tariffs, systems for the administrative, quantitative, financial and exchange regulation of foreign trade, payments systems and trade treaties. Most countries do not possess enough specialists who can be spared from their normal work on day-to-day problems to direct and carry out this complex work, at the international level of common policy and co-operative action. This is the reason why Governments members of the Commission have called on the secretariat for assistance in solving technical questions, in making the technical and economic studies needed for working out common policies and agreements and, lastly, in servicing the various committees and working groups responsible for implementing government decisions and policies.

61. Despite the limited resources available for such activities, the secretariat has to date been able to co-operate actively with Governments

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in the preliminary work of arranging and re-organizing the instruments and machinery of trade policy. But the secretariat's group of specialists in this field is very small indeed. It will necessarily have to be increased, if there is to be continued participation in a task which will over the next few years become increasingly broad and complex.

Trade policy

62. When ECLA's Trade Committee met for the first time, in November 1956, it devoted its session mainly to the two closely related problems of a common market and payments. Two working groups were set up to deal with these problems, and both had held two meetings before the second session of the Trade Committee, in May 1959.

63. The role played by the Commission will profoundly affect on Latin America's progress towards a solution of its payments problem and towards the formation of a common market. One important task the Commission can carry out in this connexion is to put the system for compensation of bilateral balances into operation, as a transitional step towards a truly multilateral payments system. With regard to the common market, it will be necessary to initiate a preference system under which countries can begin lowering their tariffs and liberalizing their trade with one another on a flexible basis permitting the widest possible applicability according to the needs and interests of the participating countries.

64. During the various phases of the work on common market and payments problems, the Commission has been able to draw on the experience of consultants from such agencies as the European Coal and Steel Community and the Organization for European Economic Co-operation (OEEC) and to enlist the services of Latin American experts in trade and payments questions. As the work proceeds, close relations will also be maintained with other interested organizations such as FAO and the Organization of American States. Discussions with the latter Organization have in fact been taking place at the secretariat level, in accordance with the co-ordination machinery set up under ECLA and the IA-ECOSOC on the foundation of ECLA.

/Payments

Payments

65. The two sessions of the Central Banks Working Group, held in May 1957 and November 1958, were devoted to the discussion of measures for facilitating payments between the countries of the region. At the first session a standard payments agreement was adopted as a model for use in bilateral trade agreements and it has since been so used by several countries in the region. Moreover, the bases were prepared for standardizing central banks operating procedures and for facilitating the operation of clearing accounts. At the request of the Working Group, the secretariat has since that session been compiling and distributing information on the status of bilateral accounts to Governments maintaining such accounts, on the basis of data supplied by the countries concerned.

66. The agenda for the second session included payments problems between countries having clearing accounts and countries not having such accounts; accordingly, all the Latin American countries were invited to participate in the session. Possible steps towards the desired objective include a transitional régime leading gradually towards a multilateral payments system and the establishment of a payments union, and in this connexion a Protocol was adopted establishing a system for the multilateral compensation of bilateral balances, to enter into effect as soon as a minimum of four countries have acceded to it. Moreover, the ECLA secretariat was appointed to act as the agency in charge of compensation operations. This Protocol will be submitted to the next session of the Trade Committee, in May 1959.

67. Progress on payments problems must in the future be closely linked with the work relating to the gradual liberalization of trade. It is envisaged that special inter-governmental organs will have to be set up to operate such liberalization schemes as may be created and to supervise the payments system in force among the countries of the region.

Working Group on the Regional Market

68. This Working Group consists of outstanding personalities acting in their private capacity. They first met in closed session, in February 1958, when they agreed on a set of general principles under

/which a

which a future Latin American common market could operate. The secretariat had prepared for the Group's consideration a series of documents outlining the main problems associated with the creation of a regional market, indicating the possible advantages and disadvantages of such a market and devoting particular attention to the differences between the more advanced and the less developed countries of Latin America.

69. In its report, the Group stated that the social need for the development of the Latin American countries made it increasingly urgent to devise effective measures for accelerating the rate of growth of per capita real income, and enumerated the essential bases for a future Latin American regional market. Many of these bases will necessitate the compilation of additional information on the economic situations and policies of the countries of Latin America, as well as analyses of methods to be recommended for translating the proposed principles into economic realities. The secretariat has begun some of the requisite studies, and at the request of the Working Group prepared information and material for the Group's second session.

70. At its second session, held in Mexico in February 1959, the Group did not attempt to draft a specific agreement; instead, in accordance with its terms of reference, it made recommendations concerning the fundamental structure of the common market, and suggested guiding principles for the operation of the market. It recommended that the common market should be created in two stages: that during the first stage, which would last ten years, a substantial reduction should be made in customs duties and other taxes similar in their effect and quantitative and administrative restrictions should be eliminated; and that before the end of the first stage a further agreement should be negotiated providing for a second stage during which customs duties and other preferences would be gradually abolished. It was recommended that special concessions and preferences should be granted to the less developed countries in the region and that customs duties should be reduced more quickly for products of industries which had the greatest prospects for rapid growth.

71. The Group stated in its report that "if, at the eighth session of ECLA to be held at Panama City in May 1959, member Governments give their general approval to the recommendations set out in this report, the secretariat could then prepare, in close collaboration with the Governments concerned, an initial common market draft agreement which would help to bring together those countries interested in putting the idea into immediate effect."

Consultations on the trade policy

72. In connexion with its studies relating to the Latin American regional market, the secretariat has found it useful to convene private meetings of officials responsible for trade policy in some of the region's more important trading countries. Two such meetings have been held so far, the first in Santiago at the end of August 1958, attended by experts in trade policy (acting in their private capacity) from Argentina, Brazil, Chile and Uruguay, and the second at Bogota in November 1958, attended by experts from Colombia, Ecuador and Venezuela. These meetings have provided a starting point for the Trade Committee's future discussion of inter-governmental negotiations directed towards the common objective. The Governments concerned have already requested the secretariat to continue these meetings, and a second one for each zone is planned before the meeting of the Trade Committee in May 1959.

Economic integration

73. The studies on certain problems connected with the common market will have to be given the highest priority in the secretariat's work for several years to come; and this means that all of ECLA's substantive divisions will contribute. Attention will have to be focused on three main subjects:

- (i) The prospects of growth of the Latin American economies without integration.
- (ii) The prospects of growth of the Latin American economy with integration. This study should be finished in mid-1961.
- (iii) Co-ordination of economic policies, since the operation, of the common market may be seriously disturbed if wide divergencies of fiscal, monetary and other policies exist in the participating countries.

/Industrial integration

Industrial integration

74. Since 1956, the secretariat's work on industry has been increasingly directed towards investigating the economic advantages of regional integration, bearing in mind the needs of the industries which can survive or expand on the basis of their own national markets. Over the next five years the secretariat will carry out (i) an industrial inventory, and (ii) a series of studies of different industries.

(i) Industrial inventory. Such an inventory is currently being prepared for the main Latin American industries engaged in the manufacture of capital and durable consumer goods. The inventory will later be extended to intermediate products and consumer goods industries. This, it is expected, will provide the basis for further exploration of the possibilities of developing trade in these goods.

(ii) Studies of different industries. On the basis of the inventory, the secretariat will undertake a series of studies of individual industries. These will have to include some consideration of problems such as the relation of investment and cost of production to size of operation and volume of production, and of factors affecting the location of industry. The problem of economies of scale is important not only so far as it affects specialization for the larger regional market but also in relation to the possibility of establishing efficient small industries for local markets.

75. As the Bureau of Economic Affairs at Headquarters has been making general studies on this type of question, ECLA's secretariat will take full advantage of these studies and will co-operate with the Bureau in this respect in its work on Latin American industries.

76. While the industrial studies already undertaken by the secretariat have been useful in providing basic information on and understanding of problems related to the development of national industries and in suggesting the nature and institutions of an eventual common market, they still fall short of the assistance which Governments and industries urgently require if they are to take practical measures jointly and immediately for the exchange of manufactures, especially of machinery and equipment. It is both urgent and essential to find out what

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factors hinder the complementary development of industry in the different countries. One difficulty is the lack of credit facilities for financing trade in manufacturers; another is the lack of experience in international business co-operation. Moreover, there is virtually no market research carried on of a kind which could indicate what is the real demand for, or supply of, the various products already manufactured in the region.

77. Herein lies the particular interest of the series of studies which the secretariat is to undertake and which will be followed by meetings bringing Governments and industrialists together to analyse and discuss their problems, both technical and economic, in terms of a larger market. The first such meeting took place at Córdoba, Argentina, in March 1959; it followed a preliminary study of existing facilities in four countries for the manufacture of railway material, which was then discussed in terms of trade prospects. Further studies and meetings will deal with industries producing tractors, engineering equipment, machine tools, electrical equipment and so forth, so as to ensure a thorough investigation into the practical problems which may arise in connexion with the regional market.

78. The approach is different from that adopted so far in ECLA's meetings of industrial experts, since the emphasis will now be placed not on technological aspects of manufacturing problems, but on the prospects for specialization in certain types of equipment with a view to expanding trade in such equipment between the countries concerned.

79. Simultaneously with the above, work has been done on the motor vehicle industry, with particular reference to Argentina, Brazil and Mexico, and on flat steel products, with a view to ensuring regional co-ordination of development plans for these important branches of the steel industry.

80. Work on the chemical industry also falls into this category, and a pilot study has been made which, it is hoped, will provide the theoretical basis for further analysis. This study which will require field work in at least six countries, will take at least two years to complete. The Commission has been requesting this study since 1955, but lack of resources prevented any continuous work on it until 1958.

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81. The studies just described have a dual objective: they are being carried out not only in relation to the possibilities opened up by the common market, but also in relation to national development.

82. So far as the common market is concerned work must be done to determine the probable consequences to industry if integration fails to take place. At the same time, the problems expected to arise from integration must be explored, in particular the advantages or disadvantages of specific sites for heavy industries. In this respect, the chemical industry and the metal-transforming industries are of special importance; but they must be studied as complexes and not by products, the weight being given to the importance for these industries locational factors in the light of such findings as may emerge from the base studies in preparation.

83. Because of the very nature of the present stage of discussions on the common market, it is envisaged that priorities will have to be assigned to these studies on an ad hoc basis, marshalling all available resources to complete the more immediate tasks. But here again, the Commissions' responsibility is an urgent one, since progress towards the common market will not wait upon the availability of the corresponding secretariat studies.

Agricultural complementation

84. In connexion with its work on the common market, the secretariat is collecting data on the production, imports, exports and domestic consumption of wheat, maize, rice, sugar, vegetable oils and fats and meat and dairy products and on the areas under use for each of these branches or production in Latin America. The purpose here is to obtain some gross estimates on which projections can be based. At the same time, data are being collected on cacao, tobacco, fruit, cotton, rye, barley, oats, wool and hides.

85. Simultaneously, a study is being made of the potential production capacity of all these commodities in Latin America. For this purpose, in the case of livestock an estimate has been made of the stocks of each type of animal - sheep, cattle and hogs - with a calculation of the percentage of extraction. This last includes slaughtering plus exports of animals on the hoof, for each of the different countries.

/86. In addition

86. In addition to these somewhat general studies, more detailed analyses are being made of selected commodities. Drafts for three of these (meat and dairy products, fats and oils and wheat and wheat flour) have been completed and work is proceeding on three more (cotton, wool, fruit); while the collaboration of FAO will be requested for a study on the marketing of timber products. These studies analyse the trade situation and consumption trends and the possibilities of increasing production to meet future demand. They have been carried out by the Joint ECLA/FAO Group, and in addition to being of considerable value for the work on the regional market, they will also deal with prospects for agricultural integration in the region.

Transport and the regional market

87. Earlier studies on intra-regional trade have made it quite clear that transport problems constitute a major obstacle to development, and that increasing attention should be devoted to analysis of these problems with a view to finding satisfactory solutions.

88. In December 1958, a study was started on problems of transport and its development in relation to the gradual establishment of a Latin American common market. As the great bulk of Latin American external trade, both within the area and with outside areas, is carried by sea, emphasis in this connexion will be placed on problems of maritime transport and ports. This will in particular require further analysis of the matters dealt with in the study on maritime transport carried out in 1954/55. However, due regard will also be paid to problems of inland transport (by rail, road and water), taking into account the vital role of the latter in providing transport connexions in the "hinterland" of ports, its significance for countries without direct access to the sea, and the importance of improved inland transport for the promotion of regional trade by land (including inland waterways) and by air. In connexion with this study, the Transport Section will in the future devote greater attention than has until now been possible to matters relating to the promotion of international rail, road and water traffic and transport in the area. The studies on transport in relation to the Latin American regional market will also supply valuable guidance in the development of technical assistance programmes in the area.

89. In connexion with the foregoing, due account will be taken of the

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activities in similar or related fields of the Inter-American Economic and Social Council and its subsidiary organs.

90. The primary purpose of this first study on transport and the regional market will be to define the main problems and outline the principal objectives to be pursued in the field of regional transport within a gradually evolving regional or common market.

91. In considering the above programme, it should be remembered that the Transport Section has until very recently consisted of a Chief of Section and one local assistant. Although it has lately been reinforced by a second professional staff member, its present staff is much too small to deal with the many urgent problems relating to transport which should form part of the work programme over the next five years.

Central American Economic Integration Programme

92. The signature by the Central American Governments at Tegucigalpa in June 1958 of the Multilateral Treaty on Free Trade and Economic Integration (since ratified by three legislative assemblies) marked the end of the first stage of the secretariat's work on economic integration in Central America. This Treaty with the Agreement on the Integration Regional for Central American Industries and the other agreements signed at the same time, will give effect to the Central American common market, so that the emphasis in the programme will now shift from the building up and improvement of an organizational framework to the designing and setting in motion of the additional machinery that will be required. The United Nations may possibly be called upon to act in this field but its role will gradually diminish.

93. Progress towards the economic integration of Central America has been made by studying different problems successively in the necessary breadth and depth. Among the first and most far-reaching projects undertaken were the development of the Standard Central American Customs Nomenclature (NAUCA), the establishment of a method for calculating taxes on imports on a uniform basis, a study of the fiscal repercussions of free trade and equalization, and an analysis of the implications of trade policies; and these provided a sound basis for subsequent work on the common market in Central America. While this and other work

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leading to the adoption of the Tegucigalpa agreements was being carried out, certain industrial development projects were being further considered, some aspects of agricultural integration were examined, institutes for technological research and administrative training were inaugurated and a start was made on the co-ordination and broadening of the basic sectors of the economy. This over-all approach is justified because it is perhaps the only way of husbanding resources and promoting accelerated growth, which are the basic objectives of the programme. In addition to the agreements referred to, a first Central American Convention on the Equalization of Import Duties is being studied by Governments, prior to signature. When these instruments have entered the stage of practical application, two lines of action will be necessary; one, of an immediate character, related to the entry into force of the agreements, and the other, of a long-term nature, designed to promote a rapid transition from the free-trade system to the customs union provided for in the Multilateral Treaty Free Trade and Economic Integration.

94. In order to carry out its programme, the Central American Economic Co-operation Committee has created Sub-Committees, composed of representatives of Governments, on Trade, Transport, Electric Power, Housing, Building and Planning, and Statistical Co-ordination. There is also an Industrial Initiatives Commission which includes members from the private sector. In addition, ad hoc committees or working groups are set up for specific purposes. All of these bodies are subsidiary organs of ECLA and are serviced by the secretariat. The Inter-American system has also given assistance, in specific fields, and close links of co-operation and information have been maintained with the Organization of Central American States (ODECA). The programmes outlined below are based on recommendations by the respective sub-committees.

95. Enlargement and improvement of the free trade system. During the next five years the secretariat will aim at: (i) augmenting the list of items included within the free-trade régime and securing the application of the progressive reductions and other transitional arrangements provided for in the Treaty; (ii) equalizing import taxes and duties on

/such articles

such articles and working for the rapid equalization of the remainder of the tariff schedule; and (iii) proposing solutions for such trade, fiscal and institutional problems as may arise from the application of the Treaty. In this work close co-operation will be maintained with the Central American Trade Commission and its secretariat, which were set up by the Organization of Central American States to study and solve problems connected with free trade. As this Commission's resources increase, the ECLA secretariat's participation in the work of equalization will tend to be increasingly directed to more general studies requested by Governments, instead of to studies of individual products, with a consequent release of resources for other work.

96. Integrated industrial development. Now that the Central American Governments have agreed upon the conditions in which industrial integration should be carried out, a series of activities related to the application of the proposed régime must be organized forthwith. Thus, the first group of industries to enjoy integration status needs to be defined on the basis of the projects so far studied and the additional plans submitted. Moreover, under the terms of the Convention on the ~~Integration~~ Régime for Central American Industries, the application of the régime is subject to signature of an additional protocol setting forth the locations of the industrial plants covered, their minimum capacity, the conditions under which new plants are to be admitted, the requirements necessary for the protection of the consumer, the regulations advisable as regards the participation of Central American capital, and other provisions.

97. Studies of new lines of development for industrial integration must be continued; these should in some cases relate to complete industrial complexes rather than to isolated industrial projects. Moreover, a study should be made of the machinery needed to permit greater mobility throughout the area of the resources available in each country. Contacts with private enterprise must be made more frequent in order to publicize the new investment opportunities offered by the programme. The secretariat can help by setting up ad hoc groups: some such groups are already in existence. Thus there will be a shift of emphasis in the activities of the Central American Economic Cooperation Committee from

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study and research to the task of practical execution.

98. Fiscal aspects. Simultaneously, the tax conditions affecting investment in Central America must be standardized. In this connexion, the secretariat will collaborate in 1959 with the United Nations Fiscal and Financial Branch in a comparative study of development legislation, both existing and projected, in the five countries, in order to determine the nature and extent of the fiscal benefits available and to promote their equalization. Moreover, in 1960 a more detailed study will be made of domestic taxes which affect or may affect inter-Central American trade. A further study might explore the possible fiscal obstacles to the free movement of capital and persons between the five countries, with particular reference to double taxation and the fiscal treatment of foreign capital.

99. Agricultural integration. The main problem here is the unequal distribution of agricultural resources among the various countries; this has already given rise to a certain degree of agricultural specialization and a volume of agricultural trade between the Isthmus States which represents a high percentage of total inter-Central American trade. During the next five years, studies must be made on the following subjects: the characteristics of a trade system designed to replace the unilateral enforcement of quantitative controls by a mechanism for regulating the volume of trade, and the possible forms through which this system could be put into effect; agricultural raw materials for industrial purposes, with particular reference to industries that have already been considered of interest for integration; the over-all development of irrigated farming in Central America with a view to determining whether the integrated utilization of water resources would be feasible and to promoting the expansion of agricultural production on the basis of modern techniques. As in the past, all the work on agricultural integration will be carried out in close collaboration with FAO.

100. The economic infrastructure. The movement towards economic integration could not be confined to the formation of a common market alone; hence, the activities carried out under the programme have included
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the co-ordination of work and plans relating to transport, port facilities, electrical installations and other factors. The secretariat, with the assistance of the Transport and Communications Division at Headquarters and of UNTAA experts, has taken a series of studies on maritime transport and ports and the improvement of regional road transport and traffic, and during the last two years the Central American Governments have signed various agreements on these subjects. This work should be continued in the future, together with the studies needed before a regional inter-connexion of Central American electricity systems can become a reality.

101. Social aspects of economic integration. From 1956 on, studies have been made of some of the social aspects of Central American development, with particular reference to demographic and housing problems.

102. Over the next few years, a study will be made of the labour force and its adaptability to development needs. As for housing, the work programme includes a study of the building materials industries and of physical planning regulations; research into building costs and studies on the rationalization and standardization of building materials; and a study of the demand for building materials and the prospects for meeting it with Central American products. An exchange of technical information and research is planned, and the co-operation of the Housing, Building and Planning Branch of the Bureau of Social Affairs at Headquarters and of the OAS has been enlisted at all stages of the work. During the next five years it should be possible to tackle additional social problems in which concerted action can be taken. To do this work, however, the secretariat will need greater resources than are currently at its disposal.

103. An inquiry is also to be conducted into certain social aspects of agricultural development, particularly with regard to forms of land tenure and agricultural working conditions. This project will be carried out in co-operation with the Latin American Centre for Research in the Social Sciences (Centro Latinoamericano de Investigaciones en Ciencias Sociales) at Rio de Janeiro.

104. During the next five years it will also be desirable to carry out studies on the following socio-economic subjects: income and the
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distribution of wealth; the size of the middle class and its prospects of growth and impact on demand, savings and private enterprise; general and vocational education and its role in the social-economic development of the country; community organization; and the development of social services.

105. Statistical co-ordination. Because analysis of the Central American economies is often hampered by the lack of comparability of the relevant national statistics, the co-ordination and improvement of Central American statistics was included in the integration programme. This, however, is a continuous task, and now that a certain degree of general co-ordination has been achieved, the future programme will tend to provide for more thorough studies of specific statistical problems.

Industry

106. Apart from its work on industrial integration connected directly with that on the regional market and described under that heading, the secretariat's work on industry over the next five years will be directed along three main lines: short-term systematic investigation, basic studies and promotional work.

Short-term systematic investigation

107. It is proposed to assemble information on a continuing basis, on the current situation of industry and mining. The object will be to provide the foundations for a more analytical approach, rather than the mere description of projects hitherto included in the annual Survey. The preparation of studies on specific problems of current and general interest to Latin America will be an important part of this type of work, particularly in relation to industrial and mining development. Special studies on such problems will henceforth be included in the Survey every three or more years, since it is believed that the study of countries at various stages of development (and of the past history of the more advanced countries of Latin America) should throw light on the process by which industrialization develops. A preliminary assessment of the effects of industrial development on other sectors and on the balance of payments is also planned.

Basic studies

108. These will be aimed at providing a better knowledge on the one hand of how industry (including mining) has developed in the past and what factors (institutions, laws, resources, markets, etc.) have determined or influenced this development, and on the other hand of the future prospects of Latin American industry in relation to growth and structure of production. These studies will have to be based on a careful analysis of the structure of industry and its relationship over the years with the growth of other economic activities, and should include projections of demand, and the production required to meet it, by broad branches of industry. They will deal with important institutional questions such as the effects of credit or financial facilities upon development, development institutions, tariffs, industrial loans, local or foreign entrepreneurship, the propagation of techniques, the training of personnel and the industrial structure proper.

109. The basic studies will provide the framework for the specific industry studies, and will be published in the form of special development reports or as articles for the Survey and the Bulletin. They will be prepared with the co-operation of all divisions of the secretariat and of the Industrial Development Branch at Headquarters.

110. The work programme also calls for a meeting of experts on the mining industry, based on studies to be prepared by the secretariat in 1959 and 1960. As there are at present no resources available for these studies, the secretariat will be unable to start them in 1959.

111. In the case of the pulp and paper industry, a series of studies was prepared by ECLA and FAO in preparation for the meeting of experts held in 1954. One of the principal recommendations made at that meeting was that a pulp and paper advisory group should be set up to assist Governments. The group was established in 1955 under the joint auspices of ECLA, FAO and UNTAA. To date, it has prepared studies based on requests from the Governments of Argentina, Chile, Ecuador, Peru, Mexico and Venezuela. The first two studies have already been submitted, and the last four will be completed in the first half of 1959. Work will continue during 1959 on

the study for Brazil, for which part of the field work has already been done, and requests are pending from the Governments of Colombia and Surinam. Once these last requests have been met, the group is to prepare an integrated study for the region as a whole; this is expected to be completed during the course of 1960 or 1961.

Promotional work

112. It has so far been impossible to meet the various requests from Governments in connexion with industrial problems or to fulfil the recommendations made at the meetings of experts sponsored by the secretariat. This, for instance, applies to the recommendations for studies on the standardization of steel products and on facilities for making special steels. Both these studies should form part of the work programme over the next five years, since they are a necessary foundation for any regional trade programme in the steel industry. So far as concerns requests from Governments, Ecuador has asked the secretariat to provide advice on organizing systematic research into the situation of the textile industry, with particular reference to productivity.

113. The secretariat was materially assisted in this type of work by its participation in the panel of experts on management of industrial enterprises in under-developed countries organized in 1957 by the Industry Section of the Bureau of Economic Affairs.

114. Activities under the heading of promotional work also include the secretariat's contribution to the work of the United Nations technical assistance programme by suggesting industrial problems in connexion with which there is a more urgent need of technical assistance, and its collaboration in the preparation of job descriptions and in the subsequent briefing of experts, followed by comments on their reports.

Natural resources, including energy and water

Energy

115. If economic development in Latin America is to proceed at an adequate pace, the energy sector must be strengthened. Consumption of energy in Latin America is currently very low, amounting on a per capita basis to less than one-third that of Western Europe, and energy shortages

/impose limitations

impose limitations on the rate and structure of development of a number of Latin American countries. An expansion of ECLA's activities in this field is essential to meet the growing interest shown in this sector by the members of the Commission.

116. A pioneering study of the present and estimated future production and consumption of energy in Latin America was published in 1957. It gave a picture of energy resources for the region as a whole, indicating differences among countries, areas within each country and the various sectors of the economy.

117. Apart from keeping under continuous review the various topics dealt with in this general study, deeper analyses need to be made on a number of energy problems. The programme of work in this field during the next few years should include in particular:

(i) Studies of energy requirements and supplies in relation to economic development for specific countries or regions. These studies will analyse the structure of and increase in demand for energy in relation to the pattern of economic development, and the alternative ways of meeting the requirements from the various potential sources of energy.

(ii) Studies of the electric power industry; generally speaking, shortages of electricity appear to be currently the greatest limiting factor within the energy sector. These studies will include detailed analyses of potential demand and supplies, and will also deal with problems of organization and finance for the industry.

The regulation of the electric power industry in Latin America, in terms of legislation and rate and financial policies, is of particular importance, and ECLA, at the request of the International Bank for Reconstruction and Development, has already analysed and commented on a study prepared by the Harvard Law School on these problems.

In connexion with these studies on the electric power industry in Latin America, the role of nuclear energy will also be examined in co-operation with the Economic Commission for Europe and with the International Atomic Energy Agency. First

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contacts with the latter were made in 1958, when the secretariat provided a staff member to accompany the IAEA Mission which toured Latin America and to assist in the preparation of the subsequent report to the Agency's of Governors.

(iii) Apart from the studies to be carried out by the secretariat, it is felt that the time is now appropriate for the organization of a meeting of experts on energy, the members of the Commission having expressed an interest in such a meeting. As it would be the first meeting of its kind in Latin America, there would be some advantage in limiting its scope to a single branch of the over-all field of energy so that a homogeneous group of experts could be assembled. Accordingly, it is suggested that the meeting should concentrate on the basic situation and prospects of development of the electricity industry and on the problems connected with this development. Its purpose would be:

(a) To define the problems of common interest to Latin American countries on which concerted action could be taken and to lay down guiding lines for further United Nations assistance in this field (under the United Nations technical assistance programme or Special Fund. A tentative list of such problems includes: standardization and exchange of information; technical problems connected with the long-distance transmission of electric power; improving the efficiency of fuel utilization in electric power generation; methods for the assessment of power resources and the forecasting of demand; possibilities of increasing the production of equipment for electric power generation, transmission, distribution and use; problems of development policy and institutional organization.

(b) To promote the participation of Latin American government experts in the Commission's activities, with a view to the eventual establishment of an Electric Power Committee as a permanent organ for reviewing problems and establishing priorities in the studies to be jointly undertaken.

118. Plans had been made to hold the electric power industry meeting towards the end of 1959 or early in 1960, and contacts had been established for its preparation with United Nations Headquarters and with the Economic Commission for Europe. However, the meeting has had to be postponed owing to lack of funds.

119. Provided more resources are made available, ECLA's activities in the energy sector will thus expand substantially in the years ahead, in line with the Commission's interest.

Water resources

120. The secretariat is currently engaged in a preliminary survey of water resources and their use, present and future, in Latin America. This programme was started early in 1957, and has a link with the energy programme through hydroelectric power development. In view of the interest shown in the survey by a number of countries and of the fact that its usefulness in the formulation of sound development policies has been confirmed, its scope will be expanded during the next few years. Here again, however, shortages of personnel are a serious limiting factor.

121. The purpose of the survey is to attempt, on a country or regional basis and using existing data, a preliminary assessment of water resources, and to analyse the utilization of these resources for such purposes as irrigation, energy and residential and industrial supply. On the resources side an inventory is being made of existing knowledge with respect to hydrometeorology, surface waters and underground waters. On the basis of this information an attempt will be made to build up a picture of resource availabilities, with special reference to the areas of greatest importance for economic development. Gaps in existing information are becoming apparent and the organization and efficiency of the services in charge of hydraulic measurements are under observation, recommendations being made for their improvement.

122. On the utilization side each sector is being analysed functionally under its various aspects (technical, economic, institutional). A multi-purpose analysis of the various uses of water resources in the same areas is being carried out to assess their complementarity or lack of complementarity and the present and future adequacy of their resources in relation

/to needs.

to needs. A basis is thus being provided for the integrated development of water resources. Such studies can prove most valuable, firstly by serving as a guide in the over-all planning of economic development and secondly by indicating those problems in the field of water resources into which further technical inquiries could usefully be made.

123. The survey is being conducted under the joint sponsorship of ECLA and the United Nations Technical Assistance Programme and is based on an integrated approach to technical and economic problems. The World Meteorological Organization (WMO) is participating by providing the services of an expert, and has expressed its intention of continued participation. Contacts in the field are maintained with FAO and other specialized agencies, and further close co-operation with FAO is contemplated.

124. The specific studies already undertaken (two hydraulic surveys on a country basis - Chile and Ecuador - and an area survey within a country - North Patagonia in Argentina - having been completed an expansion of activities under the programme is contemplated for the years ahead. The work would include:

- (i) Country surveys to meet the requests of members of the Commission. These surveys would be conducted to cover the fields and using the methods described above. Reinforcement of the existing staff would permit such requests to be met more promptly.
- (ii) Follow-up action for the surveys already made. Each survey makes a number of recommendations relating to the re-organization or improvement of existing services, or the carrying out of detailed studies, for instance on river basins. Advice on the implementation of these recommendations or such direct assistance in the preparation of detailed works as the countries concerned might request would reinforce the impact of the initial surveys.

125. In the course of the various country surveys, and also through a general questionnaire which was prepared by the secretariat and sent to all Governments members of ECLA, the secretariat has started accumulating considerable information in the field of water resources, and will receive still more in the future. This will undoubtedly provide an excellent basis for co-operation and exchange with the water resources centre at Headquarters.

126. In addition to the hydraulic surveys described above, the Commission has recommended that the secretariat should approach the Governments of the Latin American countries with a view to ensuring that the utilization of international rivers is effected on the basis of adequate planning undertaken by international technical commissions. A start even if only a cautious one, must be made in this important field since joint development of natural resources is becoming increasingly desirable now that Latin America is moving towards a regional market. At the present time, work is proceeding on an examination of the background to existing agreements. At a later stage - possibly at the eighth session - countries might be consulted with a view to a decision on the basic approach, the selection of river basins, and possible limits to the scope of action.

127. These surveys of water resources will be only a first step in the evaluation of the region's natural resources. The secretariat has already been requested to undertake similar surveys of mineral resources and timber resources. These have had to be postponed for lack of personnel and financial resources, but plans have been made for a joint ECLA/FAO study of timber, beginning in 1959 and continuing through 1961 (see also the chapters on industry and agriculture). All of these various studies on natural resources offer a most promising line of possible co-operation with the Special Fund.

Joint ECLA/FAO programme on agriculture

128. The tasks of the joint group have been determined to date on an ad hoc basis by agreement between the Executive Secretary of ECLA and the Director General of FAO. Among the groups future objectives should be to establish a continuing intelligence service on statistics and current economic information, and to undertake a series of studies of basic or structural problems of Latin American agriculture.

129. One of the first studies completed under the joint ECLA/FAO programme dealt with the selective expansion of agricultural production. It analysed the situation of the basic agricultural commodities produced in Latin America, including wheat, maize, rice, sugar, cotton, coffee and livestock products.

130. The second important joint project has been the coffee survey. Its first part, dealing with Colombia and El Salvador, has recently been published. The second part relates to Brazil and is still at the field work stage.

131. This study examines: first, the productivity of labour and capital under different conditions and with different methods of production and processing; secondly, production trends, on the basis of the number and age distribution of the trees, and thirdly, the effects of coffee production on the economic development of the producer countries.

132. Once the Brazilian study has been completed, a third part will be prepared, dealing with the general problem of coffee in Latin America.

133. The staff of the joint programme has also collaborated very actively in the economic development country studies, both through participation in the field work and by assisting in the writing and criticism of the reports. Moreover, work has been done on a series of commodity studies as part of the regional market programme, and is described under that heading.

134. Because of staff shortages, the work under the ECLA/FAO programme has fallen behind; but it is hoped within the next few years to be able to start or complete work on the following projects:

- (a) A study of the role of agriculture in the economic development of Latin America, and of the obstacles to the technical improvement and growth of agricultural production.
- (b) The preparation of a manual on agricultural programming for use by government offices concerned with economic development policies.
- (c) Continuance of work on the productivity of labour and capital in agricultural production.
- (d) Study of trends of investment in agriculture, of the factors that affect such investment and of the possibilities of increasing investment in agriculture.
- (e) Study of Latin American timber production and consumption trends and prospects. (This study was to have been started in 1959 and completed in 1960, but there are no funds available for it in the 1959 budget. It has been accorded very high priority by FAO, since it forms part of a world series. Moreover, it is of particular importance in Latin America, in view of the region's vast timber resources.)

135. There are other urgent projects which should be taken up during the next five years, if resources can be made available:

- (a) A study of agricultural prices, including the effect of prices on demand, factors affecting prices and price policies.
- (b) Market research, including studies on market structure and area of influence, the demand for agricultural commodities, and income and price elasticities.

136. It would also be desirable to start work on studies relating to the taxation of agriculture and its influence on land tenure and use; land use and its improvement and the resources and prospects for agricultural expansion; agricultural (rural) population and labour, the distribution, migration, surpluses and deficits, employment, unemployment and under-employment of such labour, the industrial demand for it and the factors affecting all these aspects; and agricultural income in relation to income in other sectors and by separate agricultural activities. Finally, general research into land tenure and agrarian policy is also needed.

Social aspects of economic development

137. In addition to the Commission's economic work, which has been reported in some detail in the preceding sections of this report, a major development during the last five years has been its growing attention to the social aspects of economic development. This relatively new interest of the Commission is reflected in several of its resolutions, and is in accordance with the recommendations made by the General Assembly and the Economic and Social Council, which stress the need for study of the social aspects of the economic development process with a view to achieving integrated development. The Commission's programme in the social field must be mainly concerned with the broad question of balanced economic and social growth, as also with the problems involved in the adaptation of Latin American society to the new functions required by its economic development and the attitudes and new forms of individual and community life required for the discharge of these functions.

138. In order to enable the secretariat to deal more systematically with such a programme, a Division of Social Affairs was established in the second part of 1955. Owing to limitations of staff, the Division's programme

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has been primarily aimed at promoting and co-ordinating research by national public and private institutions in the various Latin American countries. The Division has nevertheless been directly responsible for carrying out a number of significant projects.

139. For example, the Division prepared an analysis of the social factors affecting the process of economic growth in Bolivia, as part of the over-all study carried out on that country's economic development. This analysis made it possible to develop further the methodology that had been evolved in previous ECLA socio-economic studies, and suggests general guiding principles for the conduct of future surveys of this type. The Division has also given attention to the problems of urbanization, particularly those associated with the present large-scale migratory movement from rural to urban areas. A seminar on this subject, organized jointly by ECLA, the Bureau of Social Affairs and UNESCO and to be held in July 1959, is in an advanced stage of preparation; case studies of urban groups in selected countries will be included in the basic material prepared for this seminar.

140. In the field of population and demography, the Commission has given particular attention to questions relating to labour supply. The Commission recommended that studies of manpower should be carried out in close connexion with work on problems of economic development in specific areas or countries, and, in particular, with analyses and projections required for purposes of programming. Accordingly, the demographic work of the secretariat has been carried out in conjunction with a number of economic projects and has included the preparation of population estimates and projections for several Latin American countries. Under the technical assistance programme, a United Nations seminar on population problems in Latin America was held at Rio de Janeiro in December 1955, and a demographic training and research centre for Latin America was established at Santiago in 1957 as a joint project of ECLA and the Bureau of Social Affairs. Finally, mention should be made of the co-operation between the ECLA secretariat, the Bureau of Social Affairs and the Pan-American Union in organizing the expert meetings on the financing of housing that were held in 1955 and 1957 under the United Nations technical assistance programme.

141. The Commission's future work programme in the social field will be largely determined by the results of the discussions held at the forthcoming sessions of the Commission and the Economic and Social Council on the addition to the Commission's terms of reference of functions relating to the social aspects of economic development. It is to be expected, however, that the programme will be broadly designed to assist Governments in the elaboration of social policies required for the successful carrying out of their economic development programmes, and in the formulation of development plans and policies that will be concerned with more than the strictly economic factors involved in social change. In particular, studies will be made, in accordance with the recommendations made by the Economic and Social Council in its resolution on balanced social and economic development, of the criteria used in different countries for the fixing of development priorities and allocations, with special reference to social expenditures.

142. In the demographic field, in addition to the advisory services to be provided to Governments under the technical assistance programme, ECLA's activities will centre on the carrying out of manpower studies and on the preparation of the population estimates and projections needed for the adequate planning of economic development programmes in the Latin American region.

BUDGETARY IMPLICATIONS

143. It will have been seen that throughout this review reference is made to the need for additional resources if the secretariat is to fulfil the work programme already in hand and to meet the increasing demands made on it for help in solving urgent economic problems arising in the region. In this connexion, it may be pointed out that in its resolution 694 D (XXVI), paragraph 6 (c), the Council requested an "estimate" of the magnitude of likely changes in the budgetary requirements by applying the cost factors known from experience to new and developing parts of the programmes."

144. The main point to be borne in mind in approaching such an estimate is that the secretariat of the Commission, as the foregoing appraisal amply shows, needs to be gradually expanded throughout. But there are

two particular fields of activity, involving all substantive secretariat units and pertaining to both research and operational functions, where there is a special need for strengthening the staff. These are:

- (i) Advice to Governments on the preparation and execution of development policies, which, it is envisaged, will be carried out with the collaboration of the Bureau of Technical Assistance Operations at United Nations Headquarters.
- (ii) The regional market project, which necessitates special studies of industries and transport, macro-economic studies and the provision of staff for servicing committees, working groups and other machinery for inter-governmental negotiations similar to those carried out in past years under the Central American Economic Integration Programme.

145. The divisions most directly affected by the expansion of work under these two heads will be the Economic Development Division, the Trade Policy Division and the Industrial Development Division; and the first need will be to strengthen these, and the associated statistical services, to meet their increased responsibilities. But additional strength will also be needed for future work under the programmes on agriculture, energy and transport. Taking all these factors into account, the target increase of staff by 1965 should be 25 professional posts, spread fairly evenly from P-5 to P-2, with the corresponding supporting staff in general services, estimated at some 30 posts including statistical clerks or computers. Increases in funds for travel and temporary assistance will also be required for the preparation and servicing of the increasing number of meetings necessitated by the requirements of the work on the regional market and a multilateral payments system.

146. Details of concomitant additional requirements for such items as office supplies, printing, travel and so forth cannot yet be estimated with any degree of accuracy.

147. It can however be said, as a very rough estimate, that the funds needed to fulfil the programme envisaged between now and 1964 will need to be stepped up progressively to an additional 425, 000 dollars per annum by the latter date.