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SUMMARY OF THE REPORT OF THE LATIN AMERICAN COMMISSION
ON FORESTRY AND FOREST PRODUCTS

Presented to Committee I by Mr. Glesinger (FAO)

on Friday, 10 June 1949

INTRODUCTION

Upon the request of the Latin American Commission on Forestry and Forest Products, the Director General of the FAO had submitted the following item for inclusion in the agenda of the second session of the Economic Commission for Latin America: "Report on the utilization of forest resources in Latin America and its equipment needs". Unfortunately, there had not been time to reproduce and circulate the full report to all delegations before the opening of the session. Consequently, detailed consideration of the question of forest resources in Latin America would have to be left for the next session of ECLA. However, Mr. Glesinger reviewed the most important points of the report and outlined the recommendations which the FAO was submitting for the attention of ECLA and the various Latin American Governments represented.

Some 42 % of the land surface of Latin America was covered with forests - more than twice the area occupied by farms. Those 850 million hectares represented almost one

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quarter of the world's forest area. Thus Latin America had a higher percentage of forest land than any other continent and could be expected to rank first in the production and consumption of forest products. Paradoxically, the contrary was true. The annual cut of timber for the entire continent amounted to 170 million cubic meters. Of that, 155 million cubic meters consisted of fuel wood which was not an industrial or economic asset. Only 15 million cubic meters, or approximately the annual cut for metropolitan France, was being applied for industrial use. Similarly, consumption of industrial wood in Latin America was deplorably low. It amounted to only 80 kilograms annually. That figure should be compared to 1300 kilograms for North America and 300 kilograms for Europe. Despite that low internal consumption, Latin America was a heavy importer of woodpulp and softwood lumber and came within the category of regions with a net trade deficit in forest products. The paradox was all the more striking because the Latin American continent possessed almost illimited forest resources and could be the world's most plentiful source of supply.

There was no justification for the existing situation to continue. Through the application of modern techniques, within one generation it should be possible to convert Latin America into one of the largest suppliers of forest products, to raise consumption levels and to create forest industries which would be a major source of wealth and

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employment to the countries of that continent.

In that connection, it was important to dispel a common misunderstanding concerning the exploitation of forest resources. It was often said that nothing was lost by leaving the forests of Latin America untouched because they constituted a valuable reserve for future generations. That concept was erroneous. An untouched forest was not an economic asset inasmuch as each year the amount of wood destroyed by fire, insects, etc. matched the new growth. The only possible economic increment could be obtained by a scientific use of forests. Properly managed, a forest could produce from one to five tons of raw material per hectare and as much as twenty tons under favorable soil and climatic conditions such as those found in parts of Brazil and Chile. Most of the forests of Latin America, however, were in tropical zones and the species of wood grown were not immediately adaptable for industrial use. By reforestation after cutting the original stands, the composition of the forests could be improved so as to permit their adaptation to the requirements of modern forest industries. As long as forests were undeveloped, the land remained unproductive and yielded no income.

It was the intention of the FAO through its Division of Forestry and Forest Products to assist Governments to develop those unused resources. The work already initiated had been warmly supported by all Governments, especially that of Brazil. The first conference on forestry in Latin America had been held last year at Teresopolis near Rio.

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Early this year a Latin American Office for Forestry and Forest Products was established in Brazil and in the latter part of May a new permanent Commission for Latin American Forestry and Forest Products held its first session in Rio, and adopted the report summarized below.

MAIN POINTS OF THE REPORT

The original objective of the report was to determine the needs of the Latin American countries for forestry equipment and to estimate the requirements for the maintenance and expansion of that equipment and its eventual use in forest industries. Shortages did not represent a serious obstacle to the development of forestry resources because before equipment could be introduced, an industry had to be created capable of using it. That industry was still practically non-existent. The report therefore attempted to estimate both short and long-term needs in the various countries. The preliminary estimates received from Governments must be regarded as tentative and the report itself as a preparatory document.

The report dealt with the two types of forests in Latin America:

Temperate and sub-tropical softwoods

These woods were found in the southern parts of Latin America, particularly in lower Brazil, in Chile, Argentina and Paraguay. They were of the "Parana Pine" species and constituted only 5 % of the total forest resources. No technical problems would hamper their conversion for
/industrial use.

industrial use. With scientific knowledge and comparatively small capital, it should be possible to build up an industry on that basis. In fact, a small industry already existed in Brazil and Chile, but it was as yet too insignificant to compete on world markets or to satisfy internal needs. The area of softwoods had a growing capacity equal to that of Canada or the combined capacity of Sweden, Finland and Norway. In that connection, it should be noted that Canada's annual output of primary forest products was somewhat in excess of one billion dollars.

Tropical woods

By far the largest percentage of Latin America's forest resources consisted of heterogeneous tropical woods which had hitherto resisted industrial use and were of no interest in terms of actual value. Sporadic use of so-called precious woods such as mahogany, teak and ebony had resulted in deterioration of the remaining forest and production costs had remained exorbitant. Full and economic use should be made of those woods in order to cover the high cost of exploitation. On the laboratory scale, that appeared possible, but research and tests must precede the establishment of forest industries.

The FAO was therefore prepared to set up a system of forestry combines based on the principle of full utilization and systematic management. That could be achieved by the establishment of various mutually

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complementary industries such as sawmill, a pulp mill, a plywood mill and possibly a plant manufacturing sundry chemical products. Thus the waste from one operation could benefit the others and increase the overall yield. The FAO hoped, with the aid of the International Bank and other industrial elements to be able to set up one or two pilot plants of forestry combines in the tropical area. The success of that plan would open up one of the largest storehouses of wealth in the world. The annual increment of 5 tons would be converted into 3000 million tons or a production level of 80 % in timber, pulp, plastics, textile chemicals, alcohol, etc. - an output greater than the total annual production in all the mines and farms of the world. In order to realize these technical possibilities, three basic economic requisites had to be fulfilled.

Economic requisites

Markets were the first of these requisites. There was a continuing and growing shortage of timber in the world. Particularly in Europe the deficit had risen to 150 million dollars annually. Owing to the dollar shortage, it was doubtful how much timber Europe could import from North America after 1952. Consequently, not only would Latin America become the most important future source of lumber, it would also become Europe's main customer for equipment. Therein lay an important potential stimulus for the development of modern forest industries.

The quantities of lumber that were likely to become

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available from an early development of Latin American softwoods resources would reach initially some 200 thousand stands annually, and would add 30 million dollars annually to the exchange available for trade between Latin America and Europe. Since the European deficit after 1952 should be about one million stands and the Far East was expected to have a somewhat smaller deficit, there should be no trouble in selling all the additional output provided it met quality requirements. The FAO conference had revealed that whereas, before the war Europe had been the sole source of supply of woodpulp for Latin America and the Far East, by 1955 Europe would barely be able to cover its own needs and Latin America would be forced to rely upon imports from United States and Canada payable in dollars. That difficulty could be circumvented if Latin America built up its own industry. With export markets for lumber and pulp, not much risk need be anticipated. Brazil already had a fairly developed pulp industry. In Chile a start had likewise been made, but it would be some time before an exportable surplus became available.

Capital was the second requisite for the development of forest resources in Latin America. Ten million dollars were required to set up a pulp mill. However, these industries could be financed by exports. For example, the Economic Commission for Europe, working in co-operation with the FAO, had arranged the European timber deal whereby the International Bank and the countries of Western Europe

/extended credit

extended credit to Eastern Europe which supplied the timber. The same ideas, but not the same pattern could be applied to Latin America. It could expect with five years to produce timber with an export value of 150 million dollars, one third of which could be set aside for the development of forest industries, improvement of transportation and construction of roads.

The third economic requisite for the development of Latin America's forest resources was managerial leadership and technical know-how. Forest industries were not more difficult to set up than others, but they required specific industrial structure and considerable technical experience. European experts in technical assistance might fulfill that need. It was important to bear in mind that the present was an exceedingly propitious moment for the development of Latin American forest resources.

Joint action

The FAO was fully competent to handle the problem. However, forest exploitation was so closely related to the general problems of agricultural and economic development in Latin America that the success of any programme required the co-operation of many agencies and Governments. All plans would have to be fitted in to the general framework of the economic development of Latin America. The movement of capital that would result from the establishment of modern forest industries and the credits needed both internally and internationally would affect the volume and

the terms of trade and must necessarily be considered in relation to the broader problems being studied by ECLA. For that reason, the Latin American Commission on Forestry and Forest Products had requested that the matter be referred to ECLA. In the resolution adopted at its first session, it took a firm stand against the single product approach and called for an increase in the quantity and diversity of forest products. To equip complementary forest industries, machinery should be bought if possible within Latin America, in the second place from soft-currency countries and finally, from dollar areas. Brazil, which was already in a position to export some products might become a source of equipment. In any case, all development plans should be made in conjunction with programmes for the export of forest products, financing and the creation of markets.

Conclusions

1) The development of forestry resources was of primary importance to the economic development of Latin America. That fact had not been fully appreciated by Governments. The Economic Survey had scarcely touched upon it. For the future, ECLA should draw the attention of Governments to the necessity of developing forest resources as a corollary to industrial and agricultural expansion.

2) The establishment of forest industries represented a broad field which could not be dealt with by FAO alone. It required close cooperation with other UN agencies,

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especially on a regional basis. The present session might wish to ask the Executive Secretary of ECLA to coordinate future efforts with the FAO.

3) Certain problems could be selected for immediate joint study:

- a. Possible development of exports, creation of markets for Latin American products, and the financing of new industries;
- b. Determination of suitable sites for the establishment of the first modern forest industries on the basis of technical, economic and other local conditions;
- c. Close cooperation by Governments with ECLA and FAO in order to accumulate the necessary technical experience.