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Committee of the Whole Meeting
8 February 1954
Santiago, Chile

PROGRESS REPORT BY THE EXECUTIVE SECRETARY

(Covering period 25 April to 31 December 1953)

Introduction

1. This report covers the period from the end of the Fifth Session, 25 April 1953, to 31 December 1953.
2. The activities of the Commission and the Secretariat during this period have covered a wide field, including those calling for immediate practical action on the part of governments and research projects being carried out by the Secretariat in the preparation of studies for the use and guidance of governments.
3. A series of meetings was held in connexion with the Central American economic integration programme. The most important of these was the second annual session of the Committee for Economic Co-operation in Central America, which took place in San José, Costa Rica, from 13 to 16 October 1953. Meetings in connexion with this programme were also held on the unification of tariff nomenclature, on transportation problems of Central America and on budgetary management.
4. The Secretariat has also been active in preparing for a meeting of experts on the pulp and paper industry which is scheduled to take place in September 1954.
5. The second course of the Economic Development Training Programme was successfully carried out and covered the period from April to December 1953.
6. The research work of the Secretariat has included the revision and preparation for publication of several of the studies presented to the Fifth Session. One of the interesting features of these reviews is that as a result of discussion at Rio de Janeiro and subsequent discussions with experts in the different fields, it has been possible to introduce ideas that reflect the thinking of a broad section of Latin American economists. Revision of the following studies has been completed:

Economic Survey of Latin America 1951/52,
Possibilities for the Development of the Pulp and Paper
Industry in Latin America,
Study of Inter-Latin American Trade and its Prospects -
Southern Zone of Latin America,

/Study on

Study on Economic Development of Ecuador, and

Report of the Agricultural Credit Seminar in Central America.

The Economic Survey 1951/52 will be in print before the Committee of the Whole meeting; the others will be published by March 1954.

7. The Preliminary Study on the Technique of Programming Economic Development will be ready for publication by mid-1954. Work on the Economic Survey of Latin America 1953 is well advanced and every effort is being made to distribute this report early in 1954.

8. Work has progressed satisfactorily on a number of major projects which were given the highest priority by the Commission at its meeting in Rio de Janeiro, in April 1953. These projects include the analysis of economic growth in selected Latin American countries and the preparation of projections of economic series for the different sectors of their economies; field investigation of the iron and steel transforming industries in a group of Latin American countries; further and broader study of inter-Latin American trade; continuation of the study of the paper and pulp industry; and active participation in the United Nations technical assistance programme for the promotion of economic reciprocity and integration in Central America. However, work on certain other projects of high priority has been delayed due to lack of resources and, in some cases, to difficulties in the recruitment of qualified persons to fill certain key posts. Work on economic problems of agriculture has had to be considerably reduced because of lack of staff. The Chief of the Agriculture Division, a senior economist of FAO, resigned and has not been replaced. In addition, a senior agriculture economist of ECLA has been on loan to his government for an extended period.

9. As in previous years, the Executive Secretary is pleased to report that the Commission has had full co-operation from other international organizations. (See Part II below). As the work has progressed the collaboration of other agencies has become increasingly important, as will be noted from the reports on different projects.

PART I - REVIEW OF WORK PROJECTS ^{2/} AND ACTIVITIES

Economic Survey

10. The Economic Survey 1953, which will be published in early 1954, will deal with the current economic situation. It will consist of five main parts:

- 1) Income, investment and consumption;
- 2) Foreign trade and the effects of the world economic situation on Latin American trade and balance of payments;
- 3) Monetary problems;
- 4) Agricultural production;
- 5) Industrial and mining production.

11. It will be shown that the year 1953 has been marked by changes in the world economic situation, which have had important repercussions on the economy of Latin America - always particularly susceptible to external factors. Attention will be drawn to the falling off in world demand - and especially demand by the United States - and the drop in prices of most of Latin America's traditional exports of raw materials.

12. On the other hand, the resurgence of the European industrial producers, with the consequent competition for foreign markets, has favoured Latin America to some extent. It has provided an opportunity to import capital goods and products essential to the maintenance of domestic industries on long-term credits and at competitive prices.

13. The reduction of United States capital flow to Latin America, both government and private, will be noted.

14. For Latin America as a whole the balance of payments in 1953 has been maintained in equilibrium, but only as a result of drastic reductions in imports. It is recognized that this is a temporary measure which, if it is continued too long, will inevitably have an adverse effect on economic activity and the rate of progress.

^{1/} For a complete annotated list of work projects and priorities as approved by the Fifth Session at Rio de Janeiro, April 1953, see Annual Report of the Commission to the Sixteenth Session of the Council (Document E/2405 pages 38 to 41).

/15. In addition

15. In addition to the external factors of supply and price relations, the economies of some of the Latin American countries have been weakened by inflation. Moreover agricultural exports - particularly of foodstuffs - are now faced with increased competition from outside the area.

Furthermore, the United States policy of distributing surplus foodstuffs to countries suffering a shortage, and accepting payment in non-convertible currencies, may have the effect of narrowing the market for Latin American exports.

16. There has been a surplus in the international markets for cereals, sugar and cotton, while coffee, which continues to command good prices in the world market, suffered a drop in production due to the heavy frosts which affected Brazil in the winter of 1952.

17. Mining production has dropped sharply, due principally to the contraction in world demand for strategic metals. The Survey will contain a special study on the problem of copper as a result of unsold stocks and the drop in world prices. Latin America's output of petroleum has been maintained, but a probable reduction in demand is foreseen if and when the Iranian oil fields are brought back to full production.

18. The Survey will emphasize the increasing disequilibrium between falling world prices of the goods produced in Latin America and the sharply rising cost of production within the area. Special studies have been made of some of the problems arising from inflation and of monetary policies aimed at checking inflation in selected countries.

Economic Development and Technique of Programming

19. The Fifth Session requested the Secretariat to continue its work on general problems of economic development and the technique of programming and to undertake studies on monetary and fiscal policies. The Commission specifically requested that the type of analysis contained in the "Preliminary Study of the Technique of Programming Economic Development" (which was presented to the Fifth Session as document E/CN.12/292) should be perfected, and that this refined method of analysis should be applied in the preparation of studies of development in individual countries. It also emphasized the need to study the role of monetary and fiscal policies in promoting economic growth.

/20. The Secretariat

20. The Secretariat has been working intensively on the revision of the preliminary programming study with a view to preparing the document for publication. As part of this review critical commentaries have been received from many sources. An expert visited Santiago for a period of three months to make a critical appraisal of the study. The effect of the review has been to refine the methodology outlined and to suggest improved methodology for future country studies. It is planned to complete the revision of the study by the middle of 1954.

21. The Secretariat is engaged in studies of economic growth in selected countries of Latin America. The purpose of these studies is:

- a) to collect and analyse data with a view to measure the rate of economic growth in the recent past;
- b) to prepare projections of economic series for the different sectors of the economy, with a view to assist the governments by providing the background material and basis for formulating an integrated economic development programme.

22. It is planned to develop a simplified input/output matrix for one or two of these countries, with a view to relating the analysis of the structure of demand of capital requirements to industry production requirements for final and intermediate products. Long-term estimates are being made of the balance of payments and of foreign investment. This work is being undertaken to facilitate the analysis of the capacity to import, the projection of import requirements and the analysis of the change in the composition of imports, as well as the role of foreign investment.

23. A study is also being made of the present and prospective supply of manpower and the occupational composition of the labour force. A long-term estimate is being made of the gross product for countries of Latin America, by activity sectors and by composition of output of goods and services.

24. Studies are being made of the role of monetary and fiscal policies in economic development in several countries of Latin America. The purpose of these studies is to evaluate the recent role of fiscal and

/monetary

policies in economic development from the point of view of efficacy in maximizing the rate of investment and the composition of investment as between economic sectors. Special consideration is given to the need for maintaining a relative measure of economic stability under conditions of rapid growth in investment and output.

Technical Meeting on Budgetary Management

25. A technical meeting on budgetary management was held in Mexico City in September 1953, under the auspices of the Commission, Technical Assistance Administration and the Fiscal Division of the United Nations. It was attended by experts from Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama and the United States.

26. The main purpose of the meeting was to examine the problems of classification, presentation and analysis of accounts in the public sector, as well as the outlines drawn up by the United Nations for the preliminary draft of a Classification Manual. On the basis of experience acquired in some of the countries in the area, it was possible to discuss fully the fundamental concepts and practical procedures which would enable the governments to present their budget accounts in such a way as to enhance their usefulness for economic analysis, particularly in regard to economic development.

27. The meeting had the full support of the Mexican Government and the Secretary of Finance and Public Credit of that country delivered a speech at the opening session. The meetings of the working parties were presided over by the Acting Director of the Mexico Office of ECLA.

ECLA/TAA Economic Development Training Programme

28. A report on the first year's work of the Training Programme, organized by ECLA and TAA in response to resolution 4(IV) was presented at the Fifth Session. The importance of the training of Latin American economists in the problems of economic development and the benefits to be gained from an opportunity of working in close contact with ECLA economists was appreciated by the governments. Resolution 48(V) adopted at the Fifth Session recommended that the programme be maintained and expanded so far as possible.

/29. The Training

29. The Training Programme for 1953 covered the period from April to December inclusive. Twelve trainees from the following nine Latin American countries participated: Argentina two trainees; Bolivia one; Brazil two; Chile two; Costa Rica one; Ecuador one; Guatemala one; Mexico one; Nicaragua one.

30. The first month of the programme was spent on studying statistical tools, including social accounting, input-output, wealth accounting, sources and uses of funds, resource inventories etc. The second month was spent on examining the experience in development of a number of Latin American countries, as well as the United States, the USSR and Japan. The next two months were devoted to studying programming techniques, this subject being the principal aim of the training programme. Special attention was given to development policies in the different countries.

31. The reading list included works under the following headings: social accounting; economic development; programming of economic development; projections; criteria for priorities; individual projects; savings; fiscal, monetary and foreign exchange policy; and theory of economic development.

32. A part of the time was spent on lectures and discussions. Special lectures were given on: correlation and measurement of elasticity coefficients; procedures used to elaborate public investments budgets; and experience and problems related to a Chilean agricultural and transportation development plan.

33. In addition to following the general course, the participants have worked on special studies dealing with the particular problems of their individual countries. These studies, which have been undertaken in collaboration with economists on the staff of ECLA, include: reviews of the world situation and markets in respect to specific commodities which constitute the principal exports of different countries; balance of payments and projections of foreign exchange receipts; evaluation of the effects of government fiscal policy on the rate of economic development; factors determining the rate of investment; consideration of priority criteria for investment projects; etc.

/Industries Studies:

Industries Studies:

a) Iron and Steel Transforming Industries:

34. At the Fifth Session of ECLA the Commission recommended that the Secretariat continue work relating to the iron and steel industry and particularly, among other aspects, investigate the development of the iron and steel and related transforming industries in Latin America.

35. Work on a general study along these lines was initiated immediately after the Rio de Janeiro meeting. This study will present a general description of the steel transforming industries in selected Latin American countries in terms of the origin and use of raw materials; technological knowledge; skilled labour; existing equipment and the means and possibilities of acquiring or improving it; relation of investment and production costs to production processes, output and size of the market. Special attention is being given to ascertain the degree of diversity which could be attained by each of the countries with steel transforming industries.

36. Because the quality and durability of the manufactured product is largely dependent upon the quality of raw material employed, it is necessary to undertake expert examination of the resources available, the semi-finished steel products, as well as the technical and economic problems affecting the manufacture of specific articles.

37. A market study is being made of the different types of steel and the economic feasibility of establishing plants for their manufacture is being investigated. Consideration is also being given to the effects which these industries and the mechanical industries which would use their output might have on the balance of payments and therefore on the economy of the countries. Knowledge of these factors will be valuable to governments and industries which are considering the establishment of plants and the possibilities for substituting domestic products for imports of essential goods on an economic basis.

38. A limited capacity to import, coupled with the growing demands of the metallurgical industries, points to the need for Latin America to begin producing more capital goods, and it is one of the aims of this study to indicate what types of capital goods as well as consumer goods could be produced in the area.

39. The first phase of the work has consisted of a study conducted in Chile. This was done in order to determine the method of investigation best suited for such a complex study. The preliminary conclusions drawn from it will be used to develop a method of sampling individual industries in other countries. Extensive field research has been carried out, covering a representative sample of metallurgical industries. These have been classified by productive processes and analysed in regard to size and technology. Lists of products have been classified so as to show details of the different types of steel and other material used. Discussions have been held with managers and engineers who have collaborated in many aspects of the study, including problems connected with foreign trade etc. which cannot be investigated in the field. A preliminary report on Chile was prepared in December 1953.

40. Field work is now under way for a study on Brazil. Studies on Colombia, Mexico and eventually Argentina will follow.

b) Pulp and Paper Industry

41. A preliminary study of the possibilities for the development of the pulp and paper industry in Latin America, carried out with the collaboration of FAO, was presented to the Fifth Session (document E/CN.12/294).

42. Pursuant to resolution 58(V) the Secretariat, in conjunction with FAO and TAA and in collaboration with other Specialized Agencies, has continued the research begun in the preliminary study.

43. The growing demand for newsprint and all forms of pulp and paper strains the foreign exchange resources of the Latin American countries increasingly. Due to limited foreign exchange resources, consumption of paper is restricted in many of the Latin American countries. Furthermore, a comparison between future estimated consumption of paper and the prospective supply shows that even if imports were kept at the present level and all the expansion projects now envisaged were carried to completion, Latin America would by 1965 still have a great deficit of pulp and paper. The solution of these problems lies in producing sufficient pulp and paper in the area to meet present and potential needs.

/44. As a first

44. As a first step towards this goal it is necessary to examine the available raw material resources and the way in which they can be used to the best advantage. Available raw materials of known value for the manufacture of pulp and paper, in addition to conifers, include tropical and sub-tropical hardwoods, plantation woods and sugar-cane bagasse, as technologies for their utilization are developed. Research in connexion with the use of these products in Latin America must cover a number of factors, such as maintenance of supply (conservation of forests); possibilities for extraction and transportation; classification of raw materials by types and degrees of economic value; and the technical and economic aspects of production.

45. A further stage would be the planning of manufacturing; consideration of financing, both from domestic sources and through foreign capital, and of markets and distribution.

46. It is planned to hold a meeting of experts on all aspects of the industry in Latin America, in September 1954. This meeting will be sponsored by ECLA, TAA and FAO with the collaboration of UNESCO and other specialized agencies and the Secretariat of the Economic Commission for Europe. A preliminary work programme for this meeting was drawn up in Santiago immediately after the Fifth Session. A senior staff member of the Commission visited Rome and Geneva in July 1953 and discussed the programme with the FAO Forestry Division. As a result of these discussions the following tentative agenda was prepared:

- 1) Present and prospective demand for pulp and paper;
- 2) Availability of Latin American raw materials for pulp and paper;
- 3) Comparison of the economics of pulp and paper manufacture from conifers, with pulp and paper manufacture from:
 - a) Latin American tropical and sub-tropical hardwoods;
 - b) Latin American plantation woods;
 - c) Sugar-cane bagasse.
- 4) Essential steps in planning new pulp and paper industries;

/5) Review of

- 5) Review of development prospects for pulp and paper industries;
- 6) Prospects in pulp and paper trade;
- 7) Financing of Latin American pulp and paper development.

47. During the months of August to November, leading pulp and paper technicians and institutions in Sweden, Germany, France, Great Britain, Canada and the United States were contacted in order to obtain their co-operation. This will take the form of attendance at the meeting, or the preparation of technical papers, or both. Co-operation of Latin American technicians and institutions is also assured. Most of the papers deal with the utilization of assorted tropical and temperate zone hardwoods and bagasse, as raw material for pulp and paper. Secretariat papers for the meeting cover principally the economics of pulp and paper manufacturing on the basis of Latin American raw materials. These will be prepared by the staff of ECLA and FAO with the collaboration of UNESCO and the Secretariat of the Economic Commission for Europe.

48. The work programme and organization of conferences was discussed with TAA and the Department of Economic Affairs.

49. As there is no industrial experience on the utilization of tropical hardwoods in the manufacture of pulp and paper, special studies will be made in two regions which may be considered as possible sites for the industry, namely, the Yucatán Peninsula in Mexico and the Território Amapá, in Brazil. These studies will consist of preliminary forest inventories, pulping tests with the native woods, the design of wood extraction and transportation systems, and the preliminary design of pulp and paper mills. The results of these studies are expected to provide enough data to make a preliminary cost and investment analysis and to discuss the economics of pulp and paper manufacture in the tropical regions. The pulping tests will be made with the co-operation of the Forest Products Laboratory of the U.S. Department of Agriculture, the laboratories of the Instituto Mexicano de Investigaciones Tecnológicas, and the laboratory of Industrias Klabin do Parana de Celulose of Brazil.

/The other

The other studies will be made by experts. Similar studies will be made in relation to the utilization of sugar-cane bagasse, and this will be done in co-operation with the Banco de Fomento Agrícola e Industrial de Cuba.

c) Chemical Industries

50. The Fifth Session reaffirmed the resolution adopted in Mexico in 1951 regarding the study by the Secretariat of the technical and economic aspects of the chemical industries.

51. Work so far undertaken includes an analysis of imports of chemical products in regard to selected countries in Latin America. Special consideration has been given to the relation between consumption of heavy chemicals, such as alkalies, sulphur and sulphuric acid and national income, with a view to determining which industries play an important role in the consumption of the Latin American countries. Data has also been collected on the consumption of nitrogen for industrial uses.

Energy Studies

52. The production of energy has failed to keep pace with the rapid industrial development of the Latin American countries. The shortage of energy as a limiting factor to industrialization is recognized by the governments as an urgent problem to be considered within the framework of the economic development of the area.

53. In response to the recommendation made by the Commission at the Fifth Session, the Secretariat has begun preparatory work on a study in which special consideration is given to: a) the examination of existing and potential energy resources, exports, imports and consumption of fuels and energy derived from different sources, with particular attention to better utilization of installed capacity; b) research into: the consumption of energy by different sectors of industry, including geographic distribution; sources of hydro-electric power, including those so situated on the frontiers of different states that they might be utilized to the mutual benefit of two or more countries; installed electric plants, transmission services; oil refineries; production costs etc.

/54. An examination

54. An examination is to be made of national expansion projects and the outlook for their completion and economic operation, including financing and other economic and technical problems, and the role of the State and of private enterprise in promoting the development of energy.

55. The project will be conducted with an overall integrated approach to the utilization of all energy sources and to their connexion with the process of economic development.

International Trade and Finance

a) Terms of trade

56. At the time of the meeting of the Fifth Session there were clear indications of a worsening of the terms of trade for a number of Latin American countries, and this was a matter of great concern to the Latin American governments. This provoked a full discussion particularly with respect to measures that should be taken to improve and stabilize price relationships between exports and imports of primary producing countries. After a prolonged debate the Commission unanimously adopted a resolution which inter alia requested the Secretariat to continue studies of the effects of changes in the terms of trade on the rate of development in the Latin American countries and to devote particular attention to "measures which would contribute to carrying into effect policies to encourage the transformation, treating, refining, smelting, manufacturing or other processing, under conditions of increasing efficiency, of raw materials now being exported by the Latin-American countries either in a crude or semi-processed state, taking into account the repercussions of such policies on both the exporting and importing countries".

57. The resolution also requested that such studies take into account the special position of countries with a limited number of export commodities, the effect of competition from synthetic substitutes, the advisability of encouraging domestic savings for industrialization and the possibility of establishing multilateral or bilateral commodity agreements or arrangements.

/58. Lastly the

58. Lastly the resolution asked the Secretariat "to collaborate with other competent international bodies and, through the Secretary-General of the United Nations, to make available to the group of experts to be appointed under General Assembly resolution 623 (VII) the findings of such studies as it has made or may make in the future".

59. The Committee on International Prices set up under General Assembly resolution 623 (VII) has now completed its report on Commodity Trade and Economic Development (E/2519) which is being issued in January 1954. The report reviews the various stabilizing devices, both on the national and international planes, with emphasis on the latter. Devices related to particular commodities are considered, as well as more general schemes, and attention is also given to the monetary implications of the latter. Apart from stabilizing devices, compensatory schemes are analyzed. Among the recommendations, improvements in the international procedures for discussion and action concerning the more general problems of instability are suggested. A brief history of past proposals is also included. In general, the recommendations are designed to deal with the more violent short-term fluctuations in export prices, export quantities and terms of trade.

60. The Secretariat is preparing a paper on the "Theory of international trade and terms of trade" from the point of view of the Latin American periphery

61. If staff resources are available, the Secretariat expects to initiate a study, in accordance with resolution 46(V), on practical measures which could contribute to the attainment of satisfactory levels of terms of trade over the long-run.

b) Trade Between Latin America and Europe and the United States

62. The Secretariat's work on trade between Latin America and Europe and the United States is being concentrated for the time being on the foreign trade section of the Economic Survey. However, consultations have been held with the Secretariat of the Economic Commission for Europe with a view to organize a joint ECLA/ECE technical mission to selected Latin American countries to investigate the technical and commercial conditions required for increasing Latin American imports of European vehicles, equipment and machinery. It is felt that the results of such a mission may be valuable for European manufactures in adapting their products to the particular needs - due to physical and economic conditions - of Latin American countries, and in establishing manufacturing

/plants in

plants in Latin America. The ECLA Secretariat also expects to start work in 1954 on the broader aspects of trade between Latin American countries and Europe and the United States.

c) Inter-Latin American Trade

63. The problems of inter-regional trade continue to occupy the ECLA Secretariat actively. A preliminary study on the possibility of expanding inter-regional trade - which, due to limitation of time and staff resources, was confined to the seven countries of southern South America - was presented to the Fifth Session (document E/CN.12/304).

64. Recognizing the importance of extending the markets for Latin American goods by means of a greater interchange within the region, and in accordance with resolution 69(V), the ECLA Secretariat is working on a continuing project covering various aspects of inter-Latin American trade. Because the scope of the resolution is broad and the Secretariat's resources are limited, a selection has had to be made of those problems which are of the greatest urgency. The study now under way, and which will continue into 1955 will include:

- 1) An analysis of the flow of trade: a) between the Greater Colombian countries (Colombia, Ecuador, Venezuela and Panama); and b) between Mexico, Central America and the Antilles;
- 2) A study of recent developments in trade between the seven southern countries (constituting a revision and extension of the report submitted to the Rio de Janeiro meeting): special consideration is being given to the problems arising from the disparity of trade between the countries which are exporters and those which are importers of raw materials and particularly foodstuffs; and to the possibilities of fostering exports in order to pay for foodstuffs which must be imported.

The study will show that recent developments in world trade have influenced certain trade trends within the region, making it possible that as surpluses of certain raw materials and foodstuffs are created due to the fall in world trade, they may be absorbed to a considerable extent within the region. Commercial policies, customs barriers and payments

/difficulties

difficulties are among the principal obstacles to expansion of trade within the region. These problems are being investigated with a view to seeking practical solutions.

- 3) A study on inter-Latin American trade in specific raw materials and manufactured products: trade agreements are examined, together with possibilities for simplifying controls and administrative formalities etc. and for formulating sound bases for fostering inter-Latin American trade.
- 4) A study of the effects on inter-Latin American trade of the General Agreement on Tariffs and Trade, to which some of the countries are parties and some are not. In this connexion consideration will be given to the implications of GATT policies for Latin American countries and on trade in manufactured goods.
- 5) A study of trade problems in their relation to maritime shipping: the importance of transportation problems as a factor in inter-Latin American trade is unquestionable and this aspect is being dealt with in some detail. Technical points to which special attention is being given include: the relation of coastwise to overseas shipping; lack of return cargo on certain routes; the competitive effect arising out of the fact that some countries can afford to charge lower rates because they have a lower expenditure on social laws covering their crews etc. The possibilities are being examined for co-ordinating the shipping services of the different countries on certain routes. Existing and potential facilities of selected countries are being examined, together with means for improving these services to the benefit of inter-regional trade.

It is planned to discuss the preliminary report with shipping experts from the governments concerned and the managers of the principal Latin American shipping companies, who will be invited to attend a meeting on maritime shipping in Santiago, Chile, August 1954.

d) Economic and Legal Status of Foreign Investments

65. A study of the economic and legal status of foreign investments in Latin America was begun in 1950, in collaboration with the Department of Economic Affairs at United Nations Headquarters. This study gives the history and present status of foreign investments in the economy of the different countries and the policies of the governments towards foreign investments, as expressed in laws and administrative measures. Although the project was delayed due to limitations of staff and other resources, work has continued on the various country studies which are included in the main study. A final revision is now being undertaken and it is hoped to publish the complete document early in 1954.

Central American Economic Integration Programme

a) Report and Seminar on Transportation in Central America

66. A seminar on transportation in Central America was held in San José, Costa Rica, from 9 to 20 June 1953, under the auspices of the Commission, TAA and the Government of Costa Rica. The purpose of the Seminar was to study the preliminary report prepared by the joint mission designated the previous year by ECLA and TAA, with the collaboration of ICAO. It was attended by experts from all the Central American countries as well as from the Transport and Communications Division of the United Nations Department of Economic Affairs, ICAO, ILO and IA-ECOSOC. The Seminar was directed by the Mexico Office of ECLA.

67. As a result of the discussions, during which the recommendations of the Mission were carefully examined, new data were included and corrections were made to the preliminary findings, 1/ the Mission drafted its final report, which was published under the title "Transportation in Central America" (document E/CN.12/356) and presented to the Central American Governments on the occasion of the Second Meeting of the

1/ See the Report of the Seminar on Transportation in Central America (ST/ECLA/Conf.2/L.4) dated September 1953, which is contained in "Transportation in Central America" (E/CN.12/356, ST/TAA/Ser.C/8), United Nations, publication No. 1953.VIII.2. See also summary records of the Seminar (documents ST/ECLA/Conf.2/SR.1 to 18).

Committee on Economic Co-operation in Central America, held in San José, Costa Rica, on 12 October 1953.

68. The Report on Transportation is the first complete and thorough study to be made of the present situation and of the transportation problems affecting Central America. It covers railways, highways, road transport, seaports and maritime shipping, river transport, air transport and transportation policy. The report is divided into three parts: the first describes the present situation in regard to transportation in each country; the second examines the regional problems affecting the different methods of transportation and makes recommendations for their solution; and the third deals with internal transport problems common to the six countries, with pertinent recommendations.

69. The problem is considered in the report primarily from the angle of integration of transportation in the area. This is done not only with a view to strengthening the links between the countries and promoting trade between them, but also to further the general programme of economic integration and reciprocity of the Central American Republics and which calls for a considerable improvement in means of communication and transportation costs. Having in mind that the integration of transportation is closely related to the development of the internal transport systems of each country, the Mission made a detailed study of these individual problems, showing the relation they bear to an improved efficiency in inter-Central American transportation. For example, international highways - including the Panamerican Highway - could not be of optimum benefit unless they were complemented by a carefully planned network of secondary highways and tributaries. In the same way the possibilities for improving inter-Central American maritime shipping are contingent on the improvement of ports and the efficiency of their operation. The report deals fully with these and other problems.

70. The recommendations of the Mission in regard to international transport refer principally to the construction and conclusion of the Panamerican Highway and other important international highways such as the coastal Pacific highway from Guatemala to Nicaragua and the inter-oceanic highway from La Libertad to Puerto Cortes, through El Salvador

/and Honduras.

and Honduras. Recommendations are made for facilitating and regulating automotive traffic between the different countries; for examining the possibilities of creating a Central American shipping service and considering certain ports in a regional capacity; and for measures to improve air traffic and to extend to neighbouring countries the national air services of the individual countries. The principal recommendations in regard to internal transportation refer to the rehabilitation of the railway systems and to freights; to the adoption of a possible seven year plan for building an adequate network of internal roads and to solve common problems of a technical nature. They deal with methods for reducing the cost and improving the operation of road transport; shipping and port problems; air transport; internal navigation and the desirability of formulating a co-ordinated transport policy, within the framework of a centralized administration and planning.

b) Second Meeting of the Committee on Economic Co-operation in Central America

71. The Second Meeting of the Committee of Economic Co-operation in Central America was held from 13 to 16 October 1953, in San José, Costa Rica, and was attended by the Ministers of Economy of the five participating countries and by an observer designated by the Government of Panama. Also present were: the Director of the Mexico Office of ECLA, the Resident Representative in Central America of the Technical Assistance Board, a representative of Technical Assistance Administration and representatives of the UN specialized agencies. The meeting was inaugurated by the President of the Republic of Costa Rica, His Excellency Mr. Otilio Ulate, who stressed the importance of the economic collaboration which is being achieved through the work of the Committee. The meetings were presided over by the Minister of Economy and Finance of Costa Rica, Mr. Alfredo E. Hernandez Volio.

72. The report presented to the Committee by the Secretariat contained an account of the work done since the previous meeting and of the collaboration of the Technical Assistance Board and related organs in the field of technical assistance for economic integration. It was noted that in 1953 TAB approved the appointment of six technical missions among

/those requested by

those requested by the Central American governments, to undertake the following studies from a regional angle: possibilities for the development of electric energy; establishment of an Institute of Industrial Technological Research; processing of forest products, pulp and paper; establishment of livestock and dairy industries; establishment of an Advanced School of Public Administration and an examination of problems related to technical and administrative training. The Committee took note of the initiation of these missions, some of which had begun their work; the report of one of the missions was presented to the meeting.

73. The Committee expressed its appreciation of the technical assistance rendered and resolved to make a further request to TAB and the pertinent specialized agencies to ensure that previous requests which have not yet been approved and new requests which may be made as a result of the work being done by the missions, may be attended to in 1954.

74. In addition to the programmes initiated in 1953, attention was drawn to requests for technical assistance in the following sectors in 1954: transport, tariff nomenclature and customs regulations, cotton and textile industries and vegetable oils and fats.

75. The Committee approved the Report of the Sub-Committee on the Unification of Central American Tariff Nomenclature which met from October 1952 to March 1953 and recommended to the Governments the adoption of the Standard Tariff Nomenclature of Central America. It was gratifying to the Committee to note that the project had been carefully studied by the five governments and that definite steps had been taken for its implementation. The Committee recommended that the governments should take measures to standardize tariff nomenclature covering export products, to unify customs regulations and procedures and study means to overcome the differences in duties and other taxes on imported products which might give rise to illicit trading. In order to carry out these commitments the Committee resolved to constitute a new sub-committee, which will be termed the Central American Sub-Committee on Trade, with headquarters in Tegucigalpa, Honduras. This sub-committee will work under the technical guidance of the ECLA Secretariat, in collaboration with experts designated by TAA and other competent organizations.

76. One of the points of major interest in regard to Central American economic integration is the trade policy followed by some countries in the area with a view to establishing free trade in certain products. The Committee emphasized the importance of continuing to give effect to bilateral treaties in regard to free trade and resolved to request the Secretariat to study the possibility of concluding a multilateral agreement in the future.

77. After studying the Transportation Report the Committee expressed its appreciation of the work done and recommended that the member governments should give careful consideration to the recommendations of the Mission. As the study constitutes a basis for further work of a more concrete nature the Committee requested that the Secretariat should submit preliminary plans for implementing the recommendations, to be examined by meetings of competent Central American experts. The Committee drew attention to the following points of special interest: Co-ordination of international land communications; regulations governing international road traffic; unification and improvement of shipping and port services; joint action to reduce freight rates and maritime insurance; unification and expansion of Central American air services; and co-ordination and improvement of transportation statistics. The Committee also attributed great importance to a detailed study for the purpose of determining whether economic bases exist for the creation of a Central American maritime shipping enterprise. The Committee also expressed interest in a similar study in connexion with a possible Central American air transport enterprise.

78. The Committee studied a report on the financing of economic development presented by the Secretariat and which was prepared by an expert consultant. This study deals with different aspects of the problem of channeling savings in Central America. The report contains a review of existing financial institutions, the scope and capacity for savings, the operation of stock markets and the possibilities for expanding them. Although there are no industrial projects ready to be financed as part of the integration programme, the report considers various alternatives for financing them, including a possible

development institute for the whole region. The Committee expressed its interest in the report and suggested that, pending concrete financing requirements, the study should be sent to the Central Banks of Central America for their consideration, since many of the matters dealt with concern the Central Banks. Consideration of this report was later included in the agenda for the Second Meeting of Central Banks of Central America, held in Costa Rica in December 1953.

79. In addition to the Transportation Study, a further practical measure of technical assistance for integration approved by the Committee was the proposal for the creation of an Advanced School of Public Administration. A report on this project was presented by the Secretariat and was explained to the Committee by the expert assigned to its preparation. The School will fill an urgent need in Central America for an improvement in the technical training of high officials in the administration. It represents a step towards co-ordination of great importance to economic development, in all its aspects, since it might be difficult for any one country to establish such a school with its own resources. The School, which is scheduled to be inaugurated early in 1954, will provide theoretical and practical instruction for an initial group of twenty-five fellows from the Central American republics. TAA has agreed to contribute two thirds of the cost of the School and the Central American governments jointly, will contribute the remainder. The offer of the Costa Rican Government to establish the institute in San José, in a special building made available by the Government, was accepted.

80. The Second Meeting of the Committee provided a clear indication of the possibility of practical economic co-operation in Central America. Advances have been made in the work carried out in various sectors which can soon be applied in practice and the governments have evinced a deep interest in the programme as a means of promoting economic development in the region. To this must be added the important technical contribution of the United Nations, through the Commission, Technical Assistance Administration and the expanded technical assistance programme of the Specialized Agencies.

/81. Because

81. Because of the diversity of the fields covered by the integration programme and the fact that some of them are not entirely within the competence of the Ministers of Economy, it was considered desirable to revise the statutes of the Committee. The principal change would be in the sense that other ministers besides the Ministers of Economy could be included in the Committee. The governments would have the option of designating other ministers to attend the meetings of the Committee, while the Ministers of Economy would in any case maintain their status as ex-officio members. The above amendment is contained in article 2 of the rules of procedures as approved. Other secondary amendments are contained in articles 3 to 6. The functions of the Committee remain unaltered, though it was agreed that in future it would be known as the "Committee for Economic Co-operation in Central America" and not "Committee... of Ministers of Economy ..." as originally termed.

82. Finally, the Committee drafted a detailed report of its work between the first and second sessions and of the subjects dealt with and discussions held at the latter. The resolutions adopted and the text of the terms of reference are included in this report. (See "Report of the Committee for Economic Co-operation in Central America" - Document E/CN.12/AC.17/44).

PART II -- RELATIONS WITH SPECIALIZED AGENCIES AND OTHER ORGANIZATIONS

A. Introduction

83. All aspects of the Commissions's work have been co-ordinated with that of other international bodies having programmes in Latin America. Co-operation has taken the form of consultation and exchange of ideas and materials on specific projects, joint collaboration on other projects and working parties involving several organizations.

84. The ECLA programme of economic reciprocity and integration in Central America provides an excellent example of collaboration between the United Nations and the Specialized Agencies working together towards a common goal.

85. A senior economist of ECLA has been on loan to the Technical Assistance Board in order to act as TAB Regional Representative in Central America. ECLA, TAA, FAO, ILO and UNESCO have consulted and

/collaborated

collaborated with governments in the preparation of the projects for the programme and have created a Working Party to advise and assist the TAB representative in the co-ordination of the programme. All of these organizations as well as ICAO have sent missions of experts to work on particular projects.

86. ECLA economists have participated in the preparatory work of the missions and in the drafting of their reports, thus ensuring co-ordination of the whole programme.

B. Specialized Agencies

Food and Agriculture Organization

87. ECLA and FAO have co-operated in a number of projects:

a) Economic Integration of Central America

As noted above, FAO is actively participating in the Central American Programme and has sent technical missions to Central America on forest products, pulp and paper, and cattle and dairy products.

b) Pulp and Paper

FAO has contributed to the study on this subject prepared by ECLA and, together with TAA is co-sponsoring and participating in the meeting of experts to be held in September 1954.

88. The co-ordination of agricultural statistics has been continued and FAO has contributed to ECLA's Economic Survey by supplying material for sections on forestry and fisheries.

89. As already mentioned, the Senior FAO economist who acted as Chief of the Agricultural Division resigned in July 1953 and has not yet been replaced. Since then, due to the shortage of staff in this Division the work of ECLA's agricultural economists has been concentrated on the Economic Survey.

International Monetary Fund

90. The IMF has continued to co-operate with ECLA in the preparation of studies for the planned meeting of experts on monetary and fiscal policies in relation to economic development. Both organizations have agreed to carry out parallel and co-ordinated studies on different countries, which may serve as background documents for the meeting.

/91. The two

91. The two secretariats maintain contact with each other with respect to problems of statistical data on trade and balance of payments, as well as on other subjects of common interest.

International Labour Organisation

92. ILO has continued to collaborate with ECLA in the field of migration in the Inter-Agency Regional Co-ordination Committee on Migration. As stated above, the ILO has also contributed to the ECLA Central American Economic Integration Programme and has provided an expert on technical training in industry and management for a project in this field included in the programme.

United Nations Educational, Scientific and Cultural Organization

93. The two secretariats have maintained contact with each other with respect to problems of common interest. The Director General of UNESCO visited ECLA Headquarters in Santiago in September 1953 and exchanged views with the Executive Secretary regarding future collaboration.

94. UNESCO has participated in the ECLA Central American Economic Integration Programme and has provided an expert for the project on technical training in industry and management.

International Bank for Reconstruction and Development

95. The Bank and ECLA have exchanged information on various problems and projects. The Secretariat has consulted with the Bank concerning several projects included in the ECLA programme of economic integration and reciprocity in Central America, mainly in regard to the projects on transportation and Technological Institute of Industrial Research.

International Civil Aviation Organization

96. ICAO has collaborated with ECLA in the programme of economic integration and reciprocity in Central America. An ICAO expert participated in the mission to study transportation in Central America and in the seminar on transportation held in San José, Costa Rica. Both secretariats have discussed means of collaboration for the study of air transport problems in Central America.

C. Inter-American Economic and Social Council

97. The Fourth Meeting of the Co-ordination Committee at the Secretariat level was held in Washington D.C. on 24-26 June 1953. The Committee examined the programmes of work of the IA-ECOSOC and ECLA and discussed collaboration on several items of common interest. A separate document gives a detailed account of the agreement arrived at on this matter.

98. The two organizations have collaborated during 1953 in the following projects:

- a) Seminar on Transportation in Central America: An expert from the IA-ECOSOC participated in the seminar.
- b) Unification of Tariff Nomenclature in Central America: An expert of the IASI, together with a member of the UN Statistical Office and a staff member of ECLA, worked for three months with the Sub-Committee on Tariff Nomenclature set up by ECLA's Committee of Economic Co-operation in Central America and helped in preparing a standard tariff nomenclature for Central America.
- c) Seminar on National Income and Interamerican Training Centre for Economic Statistics and Finance: ECLA economists participated in the seminars and in the Centre organized by the IA-ECOSOC in Santiago, Chile.
- d) Interamerican Centre for Vital Statistics: ECLA has collaborated with the UN Statistical Office, WHO, the PASB and the IASI in the work of this Centre.

99. With regard to co-ordination at the government level, the Executive Secretary of ECLA, in fulfilment of the mandate received from the Commission at its fourth and fifth sessions, has continued discussions with the Secretary General of the OAS. The Executive Secretary visited the Director General of the OAS in Washington in June 1953 to exchange views on this question and after this meeting they have continued to explore practical measures for achieving adequate co-ordination at the government level.

100. A separate document will give fuller information on the present status of the negotiations.