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Committee of the Whole
Eleventh session

Santiago, Chile, 10 to 12 May 1966

PROVISIONAL SUMMARY RECORD OF THE SECOND MEETING

Held at ECLA Headquarters, Santiago, Chile, on
Tuesday, 10 May 1966, at 3.45 p.m.

Chairman: Mr. SILVA (Chile)

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Corrections to this summary record should be written in one of the two working languages of the Commission (Spanish or English), preferably on a mimeographed copy of the record, and sent to the Editorial Section, through Miss Juana Eyzaguirre, Conference Officer, by 13 May 1966 at the latest.

REPORT OF THE SECRETARIAT ON THE ACTIVITIES OF THE COMMISSION (AGENDA
ITEM 4)

Mr. MAYOBRE (Executive Secretary) pointed out that the Latin American economies had experienced a relatively high general growth rate in the last two years, due, among other factors, to the more efficient planning of government action in the economic and social areas, and the progress of regional integration. Other encouraging features of the situation in the region were the improvement in the external financial position of some of the countries, and the application of anti-inflationary policies which tended to link up problem of monetary stability with the needs of economic growth. An improvement was also discernible in the fiscal situation, since the real growth of tax revenue had been around 9 to 10 per cent annually in several countries. But among those encouraging developments, there was one of supreme importance for the future of Latin America, namely, the advances made in the process of regional integration, which were clearly manifested in the Central American Common Market and the Latin American Free-Trade Area. Trade among the Central American countries rose from 33 to 140 million dollars between 1960 and 1965, while imports among the member countries of ALALC increased from 375 to 750 million dollars. Moreover, the talks already begun between ALALC and the Central American Common Market, and the firm resolve of Mexico and the Central American countries to step up their reciprocal trade marked the first steps towards fruitful relations between Central America and the ALALC area, and the gradual establishment of a Latin American common market. In the meantime, the institutional structure of ALALC had been strengthened by the establishment of the Council of Ministers for Foreign Affairs and the conclusion of multilateral compensatory agreements among the Central Banks, the Permanent Executive Committee had been given more dynamic force, endeavours were being made to bring about the adoption of ad valorem duties and charges, a system of automatic tariff reduction was being studied and common customs machinery was being worked out.

/Intra-area trade

Intra-Area trade had not merely increased but was tending to include a larger proportion of manufactured goods. A great many of the items traded had been incorporated in ALALC's liberalization programme.

In view of the possibilities that were being opened up by regional integration, Latin America was becoming imbued with a greater scientific and technical concern to explore and solve its development problems, and fired by the desire to develop a regional policy that would lead to agreements for industrial specialization, infrastructural projects and plans for economic complementarity in general.

Despite the evident signs of progress, Latin America was still faced with serious problems, more especially the unstable nature of its growth and the unsatisfactory behaviour of the external sector. Other causes for concern were the decline in Latin America's relative share of world trade, the lack of sufficient dynamic force in the industrial sector coupled with the reduction in the incentives offered by import substitution, the fact that exports were limited and the want of sufficient planning for industry within Latin America's development plans. Moreover, as gross capital formation continued to be unsatisfactory, the economic growth recorded in the last few years was partly due to better use of existing production capacity, which in itself had its limits.

In view of the inter-relationship of all those problems, it was vital to seek co-ordinated solutions through the medium of regional co-operation and to bring about concerted action by all the Latin American countries, while, at the same time, establishing closer ties with the other developing countries. It was essential to give the primary commodities of all those countries access to the markets of the industrialized world, to seek for new markets, to increase the number of commodities subject to special agreements and to study the prospects of exporting manufactures. In

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all those fields, ECLA was co-operating and would continue to co-operate with the Latin American Governments; with that end in view, it was preparing a list of the manufactures and semi-manufactures that the Latin American countries were anxious to export and, in conjunction with the Inter-American Development Bank and the Latin American Institute for Economic and Social Planning, was considering the preparation of specific industrial programmes. It was also concerning itself with the position to be adopted by the Latin American countries at the forthcoming International Symposium on Industrial Development.

ECLA had been actively collaborating with ALALC and the organs of the General Treaty on Central American Economic Integration, as well as with UNESCO, UNICEF, FAO and CIDA and, together with the Institute and the ILO, had organized the first course on economic development planning to be held for trade union leaders. The ECLA secretariat had attended the OAS Conference of Ministers for Foreign Affairs and the fourth session of IA-ECOSOC, and kept in constant contact with ICAP. ECLA experts took part in technical ALALC meetings and prepared background material for the ALALC Permanent Executive Committee and Meeting of Ministers for Foreign Affairs. The secretariat also convened a meeting of government experts on integration and another on trade policy, which took place shortly before the ninth session of the Central American Economic Co-operation Committee.

As the meeting of Ministers for Foreign Affairs convened by ALALC had been mainly devoted to the same objectives and those to be pursued at the Trade Committee session that was to be held in compliance with ECLA resolution 251(XI) adopted at Mexico City, the secretariat has postponed the latter. In all its activities and in the unswerving support given to the work of technical assistance, the aim pursued by the secretariat had been to accelerate the economic and social development of the region, which was the Commission's primary concern.

/Mr. CUBILLOS

Mr. CUBILLOS (Chile) said that his Government was anxious that the process of integration should be speeded up and had even proposed that a supranational agency be set up to take charge of the work. Although all was not yet in readiness for such a step, there was no doubt that the necessary general studies of integration had been carried out, and that the next steps should be the preparation of sectoral studies, especially on industry, the co-ordination of national development plans and the examination of national development plans and the examination of regional plans for integration. In the field of trade, it was clearly necessary to co-ordinate the activities that aimed at opening world markets to Latin American goods, and to present the region's problems at all international meetings. In view of the possible breakdown of the Kennedy Round, and the forthcoming second United Nations Conference on Trade and Development, it was vital to work out a common Latin American platform for purpose of action and negotiation at the Conference. To arrive at a common stand, the areas of agreement and disagreement between the Latin American and the industrialized countries would have to be clearly defined. A joint position should also be worked out for adoption at the International Symposium on Industrial Development.

/CENTRAL AMERICAN

CENTRAL AMERICAN ECONOMIC INTEGRATION PROGRAMME (AGENDA ITEM 5)

Mr. CASTILLO (Director of the ECLA Mexico Office) referred to the report of the ninth session of the Central American Economic Co-operation Committee (E/CN.12/AC.58/3), which was the outcome of the Central American Governments' evaluation of the past achievements and present situation of economic integration in the area. Although the movement had obviously made great headway, the Governments of the five countries that formed the Central American common market had decided to make a progress assessment as the time (June 1966) drew near for the establishment of free trade for nearly all the items involved, and as a uniform tariff had been adopted for imports. Moreover, the proliferation of activities connected with integration had proved a source of problems and had increased the need for public action to solve them, although the resources available for doing so were limited. The first stage of the evaluation consisted of technical studies, which were followed by meetings of national committees. Subsequently a joint meeting was held between the members of the Executive Committee and officials from planning agencies and national development institutions, and the process culminated in the ninth session of the Central American Economic Co-operation Committee. The conclusions of that session demonstrated that there were no insuperable barriers to free trade in the region or to tariff equalization, and that the work of establishing a legal and institutional framework was nearing an end. It was necessary, however, to formulate a development policy for the Central American Common Market so that the benefits offered by it could be turned to account in every sector, and gradually to co-ordinate the policy to be adopted by the five countries in their foreign relations. The Economic Co-operation Committee concentrated on trade policy and sectoral programmes, pointing to the need for changing the structure of manufacturing in the region and for locating production activities in an equitable fashion so as to make for the balanced development of the Central American countries. With those ends in view, the Committee had resolved to speed up the implementation of the Agreement on the Régime for Central American Integration Industries, and to give Honduras preferential treatment in order to help it to emerge from

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its relatively backward state of development. It had been decided to establish certain integration industries in that country, to increase fiscal incentives and to devote Central American research and technical assistance resources to promote Honduras' economic growth.

The Committee had given consideration to certain sectoral plans for the area, including the completion of highways, the improvement of overland transport, electric energy generation and the establishment of a Central American telecommunications network. It had also examined the question of the unification of tax systems in the five countries of the area and expressed concern at the slow progress of integration in the agricultural sector. With regard to the relations between the Central American common market and the rest of the world, the Committee had adopted an important resolution as a guide for future action, which recognized that the integration of Central America was a necessary goal, though still insufficient to ensure the growth of the countries concerned. The Committee had also expressed concern at the stagnation of primary commodities and its possible effect on the balance of payments and the course of economic integration.

The Committee's discussions reflected Central America's wish to co-operate with the rest of the region in bringing about the establishment of a Latin American common market. The Central American countries had also shown an evident desire to be included in the studies on complementarity agreements carried out by IDB, ECLA and the Institute, and hoped that those agreements would be open to all the Latin American countries, whether or not they were members of the Central American common market or ALAIC.

Central America's trade relations with the rest of Latin America, in particular Mexico, had been strengthened by the recent visit of the President of Mexico to the five countries members of the Central American common market. The Committee's new programmes of action drawn up at its ninth session would keep the next stages in the process of Central America's economic integration within the framework of action at a Latin American level.

/Mr. MORENO PINO

Mr. MORENO PINO (Mexico) congratulated the ECLA secretariat on the progress report it had prepared. Although the Executive Secretary had stressed the region's dependence on the external sector, he had nevertheless introduced a note of optimism into his statement which was both a source of satisfaction and a spur to greater efforts to attain economic development. The intensification of Mexico's efforts was directed at speeding up the establishment of mutually advantageous relations between his country and the Central American common market.

ECLA had successfully co-ordinated its action aimed at the economic development of the region with that of other agencies operating in Latin America, thereby avoiding duplication of effort. Moreover, its action through the convening of international meetings in collaboration with the Institute and UNESCO, had done much to encourage the social development of Latin America, without detracting from the attention focused on economic questions. That was an additional source of satisfaction in that the essential aim of the Commission's work continued to be the well-being of the American peoples.

Mr. HERRERA (Permanent Secretariat of the General Treaty on Central American Economic Integration) said that Central America was perhaps, more fortunate than other integration areas in that its structures presented no major obstacles to the necessary reforms.

There was little he could add to Mr. Castillo's statement, except to express SIECA's appreciation of ECLA's constant interest and invaluable help. The economic integration process in Central America had now reached a critical point, since it was passing from the stage of accomplishments in the field of trade to that of drastic structural changes. In spite of the increase in the volume of intra-area trade, some serious problems had to be faced. Little headway had been made in the development of the agricultural sector and it was only recently, through the meeting of Ministers of Agriculture, that the bases had been laid for structural reforms.

Central America was closely dependent on both the external sector and the agricultural sector; hence, ECLA's recommendation to study the problems affecting agriculture was of vital importance. SIECA felt, moreover, that it could count on ECLA's advisory assistance in questions relating to the

/external sector.

external sector. It was also important for ECLA to intensify the studies aimed at adopting a common position vis-a-vis the developed countries at the forthcoming second Conference on Trade and Development.

The CHAIRMAN invited the representative of the World Federation of Trade Unions to make a statement.

Mr. VARGAS (World Federation of Trade Unions) said that his organization had always taken an active part in ECLA meetings, in representation of 137 million workers many of whom lived in Latin America. None of ECLA's Surveys had ever included a chapter on the situation of the workers and he suggested that the 1965 Survey should correct that omission, inasmuch as the urban and rural workers in general represented at least 90 per cent of the economically active population of Latin America.

It was alarming to note that the domestic markets had contracted owing to the reduction in real wages. The Latin American countries recorded the highest inflation indexes; nevertheless, it was common knowledge that the International Monetary Fund (IMF) and United States financing agencies made the granting of loans conditional upon a type of economic policy that directly jeopardized the interests of the working sector in particular and of the Latin American countries in general.

In most countries of the region, the workers and employees absorbed considerably less than half the total national income, the distribution of which continued to favour the privileged sectors. The growth rate of the region was wholly unsatisfactory. At Punta del Este, the Latin American Governments had undertaken to raise it to 5 per cent annually, and although the Government of the United States had committed itself, in conjunction with some of the European countries, to furnish 2,000 million dollars annually for the purpose, that target had never been reached. The deterioration in Latin America's terms of trade represented more than twice the amount received under the Alliance for Progress.

It was WFTU's view that an adequate rate of growth could never be attained while the existing monopolistic conditions persisted. The United States policy was based on those sectors that were most strongly opposed to structural changes. The workers were unreservedly in favour of agrarian reform and of independent industrial development as a source of additional employment and a means of raising their levels of living.

/Mr. Vargas

Mr. Vargas commended the aim of the ILO/ECLA/Institute course for Latin American trade union leaders now being held at Santiago, which was to prepare the participants to take part in economic development planning. However, he doubted that the workers would be allowed to participate in the direction of economic policy, in view of the action of employers and Governments against trade union rights. Since structural changes could not be effected by opposing or excluding the huge working sector, it was imperative that ECLA should stress the need for the full participation of the trade union movement in planning the national economies.

Mr. ASOFEIFA (Costa Rica) said that all the Central American delegations were in agreement with the statements made by Mr. Mayobre and Mr. Castillo. The latter had presented a clear picture of the problems affecting the Central American common market and of the action thus far taken to achieve economic integration. Although much still remained to be done, the Central American Governments were confident that they could rely on constant help from ECLA and the Institute in continuing their work. Difficulties which had appeared insuperable ten years ago had gradually been surmounted through systematic and relentless effort.

The meeting rose at 5.45 p.m.