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COMMITTEE OF THE WHOLE

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STATEMENT BY MR. RAUL PREBISCH, EXECUTIVE SECRETARY OF THE COMMISSION,
AT THE OPENING MEETING ON 14 FEBRUARY 1962 *

It has become our traditional privilege - and for me an unending source of pleasure - to express our gratification at the presence of high-ranking representatives of the Government of Chile in the Committee of the Whole; and our expressions of appreciation on the present occasion must include our special thanks to the Minister for Foreign Affairs for his warm and generous words of encouragement to ECLA's secretariat.

I should also like to voice my gratitude for the very effective support given by the Government of Chile to the proposal of Mr. Paul Hoffmann, Managing Director of the United Nations Special Fund, that an Institute for Economic and Social Planning should be established, under the aegis of ECLA.

I have great pleasure in extending a hearty welcome to the representative of Canada, which has just become a member of our Commission, and is being represented here for the first time. Only a little while ago I had the honour to be invited to visit Canada, after it joined our organization, and I had the opportunity of witnessing for myself, in the course of contact with the Canadian authorities, the profound interest with which Latin American problems were followed and the determination of the Canadian Government to co-operate with the utmost goodwill in the task of solving them.

I am also very glad to welcome the representative of the Government of Switzerland, who, by unanimous vote of the Economic and Social Council, is to attend our meetings as an observer.

* This is a provisional text subject to changes in presentation and style.

Three important events in the life of ECLA have taken place in the course of the past year, and it is of these that I should like to speak now. I refer to (a) the creation of the Institute for Economic and Social Planning; (b) the decision of the United Nations General Assembly to decentralize technical assistance; and (c) the request that this secretariat co-operate in the implementation of the Alliance for Progress.

I

The Institute is to fulfil functions which are by no means new. Indeed, the training of economists in economic development questions and the rendering of advisory assistance to Governments in this field are activities which ECLA has long been pursuing in compliance with a special resolution adopted by the Governments concerned. But it has had to do so in somewhat unsatisfactory fashion, because of its limited resources. Furthermore, in order to discharge these functions, imposed upon us by force of circumstances, our secretariat has unfortunately been compelled to slacken, and even abandon altogether, efforts of great importance for Latin America. I would recall, Mr. Chairman - and you yourself, as a student of Latin America's economic and social problems, will be the first to recognize - that in our early years, from 1948 onwards, we devoted ourselves with great enthusiasm to research on Latin America's real situation and to the interpretation of its economic phenomena. Our aim at that time was to work out our own explanation of the economic and social difficulties of the region, often at the cost of demolishing certain hard and fast theories we had inherited from the great industrial countries which were inapplicable when it came to investigating and interpreting our own problems.

Thus it was that from the very outset we began to call attention to the predominant influence of the terms of trade both on the rate of growth and on the external vulnerability of our economies. We attempted to give scientific expression to the inescapable need for industrialization in Latin America, and we reached the conclusion that no effective and regular influence could be brought to bear upon the growth process unless the work of economic planning were resolutely and efficiently developed; for we were convinced that the free interplay of internal or international economic forces would not suffice to solve the serious problem of our countries' development and social equilibrium.

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But gradually all this had to be subordinated to the claims of practical action, in compliance with the requests of Governments. Thus, for the last few years ECLA has been living on a previously-accumulated fund of theoretical interpretation which has not been progressively renewed or increased. Hence the vital importance attaching, from the standpoint of the secretariat's work, to the creation of the Institute. Indeed, the recovery of resources which we have had to assign to the work of training personnel and giving advisory assistance to Governments - functions which will now be absorbed by the new Institute - will allow ECLA to revive the traditions of its early days and pursue them energetically, producing ideas that may help to guide Latin America's economic and social policy along more efficacious lines.

I cannot refrain from alluding at this point to a factor which in my opinion has played a major part in enabling this work to develop, thrive and yield results on the intellectual plane. From the very beginning, ECLA has enjoyed great intellectual liberty and has possessed that freedom of enterprise without which a secretariat becomes a prey to torpor and bureaucracy. It was not lightly come by. I remember (and this is an indiscretion which, with the passage of time, may perhaps be recorded as an episode in our brief history) that in 1949, when I was invited to draft an introduction to ECLA's first economic survey, I was instructed not to talk about development, because an unduly narrow interpretation of the terms of reference of the Commission precluded the consideration of such problems. But I had been asked for an introduction to the basic problems of the Latin American economy; and, availing myself for the first time of the intellectual liberty and the freedom of enterprise to which I have referred, I unhesitatingly devoted full attention to the problems of economic development and the indispensability of industrialization. And so startling was this attitude considered on the part of a consultant to this organization, that the only study of my own which has appeared over my signature in what for me has been ECLA's long life is that introductory paper, for which it was felt that I should assume the sole responsibility because I had dealt with just those topics.

At the Havana session this document was given an encouraging reception. As a result, the intellectual freedom that characterized

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the initial stage of the secretariat's existence was consolidated into a tradition which I hope will be maintained not only in ECLA itself, but also in the new Institute that has been set up under ECLA's auspices.

I have often been asked of late what ECLA will do if such basic functions are transferred to the Institute. I can only repeat the answer I have just given. The secretariat will once again take up a line of work that has had to be dropped, and investigate new areas of the Latin American economy of which it has barely touched the fringe, or which it has been unable to explore at all, because of the shortage of material and human resources.

Firstly, I would mention the need, which in my view is becoming ever more pressing, to contribute by means of further studies and new proposals to the progressive establishment of the Latin American common market, already initiated with the formation of the Latin American Free-Trade Association and the conclusion of the General Treaty on Central American Economic Integration. These are but the first steps on a long and difficult road. I believe that ECLA, which has been able to make a certain contribution in the past, should continue to do so in the future, with a view to the attainment of successive targets in the process of establishing the Latin American common market, related both to industry, and to agriculture, including specialization of agricultural production, a domain in which very little has been done up to now.

With respect to economic development, I am once more forced to admit that the demands of practical action have compelled us virtually to disband our Economic Development Division, thus interrupting, much to our regret, the systematic development of our research. The existence of the Institute will make it possible to take up this work again and to explore new avenues leading to progress in both the economic and the social fields, since only on a methodological basis can any distinction be drawn between these two facets of the real situation in Latin America.

With respect to transport, ECLA has been able to achieve very little. Apart from one or two contributions to the subject in country studies, we have not tackled the vital problems confronting us in this field. Nor have we as yet succeeded, despite the years we have devoted to a thorough study of the question which is now nearing completion, in defining a monetary
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policy that would be in harmony rather than in conflict with economic development needs. Thus far no appropriate policy has been formulated either in theory or in practice. And we can see more and more clearly the course that should be followed in both the monetary and the fiscal field, also largely unexplored in Latin America.

A longer list could be made of the problems that have not been dealt with, or have been merely glanced at, by the ECLA secretariat, owing to the lack of resources and to the obligations imposed on us by practical needs. I do not mean to imply that with the establishment of the Institute a sharp dividing-line should be drawn between the functions of study and interpretation of Latin America's economic situation that belong to ECLA, and those of practical action in the field of economic planning incumbent upon the new Institute. This is a formal distinction which, although doubtless very useful from a methodological and practical standpoint, should by no means be allowed to damp the enthusiasm of the ECLA staff and of those who will be working at the Institute.

If economists spend too much time on practical problems, without being able to step back from them in order to engage in theoretical and scientific study directed to their solution, they run the risk of becoming mere empiricists, excessively pragmatic in their approach. If, on the other hand, they devote all their energies to the scientific interpretation of facts and the formulation of theories, without coming down to earth from time to time, the danger is that they will become enmeshed in abstractions that are increasingly far removed from real-life problems in Latin America.

Those who have some experience both in formulating theories and in putting them into practice - as I believe I have - are ever aware of these two major pitfalls, and are constantly on their guard against them. Consequently, I consider it essential that there should be very close liaison between the ECLA secretariat and the Institute, and that this liaison should enable us, under our respective work programmes, to transfer staff who have done practical work at the Institute to theoretical research and teaching, and to give those who have devoted themselves to theoretical research on conditions in Latin America, or

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to analytical studies, opportunities of systematic contact with the realities on which their work is based. And this will come about precisely because of the need to bring action to bear on the conditions in question since only the need for action enables man to grasp all the different facets and all the complications of a given situation as it actually exists.

This is perhaps the basic motive underlying the idea that the Institute should be within easy reach of the ECLA secretariat, although there are other reasons to which I will refer later. The secretariat has outlined, in a report submitted to the members of the Commission, the proposed basis for the establishment of the Institute. The report was prepared after the Governing Council of the Special Fund had decided, in January of this year, to establish the new institution and to provide a large part of the funds required to maintain it during the next five years. The Special Fund asked us to submit suggestions to Governments as to how the Institute should be governed and administered. We proposed a Council of Directors composed of ten members, six of whom would be appointed by the Economic Commission for Latin America from among the Latin American member Governments, and four would represent international bodies.

Prior to this session I was asked by one of the delegations why four international institutions should be represented on the Council of Directors of the Institute. My reply was that there were three basic reasons for adopting such a course. In the first place, one of the institutions concerned is the Inter-American Development Bank. This institution, which is working most efficiently and expeditiously in Latin America, is anxious that the projects submitted by the Latin American countries should be designed with increasingly careful attention to their place within the framework and planning of economic development; and this attitude is in line with the basic recommendation of the Charter of Punta del Este. The Bank's own Charter empowers it to give direct advisory assistance to Governments in the field of planning, but, when it learnt of the proposed creation of the Institute, it decided to support this idea, and to support it energetically, joining forces with the United Nations so as to prevent further dissipation of effort in accordance with a tendency which unfortunately is as common in our

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countries as it is frustrating in its effects. Moreover, the Bank is increasingly aware of the shortage of specialists in economic development, and wishes to promote, through the fellowships it will award, the training of such economists in the Institute. Its President has promised me a contribution of one million dollars for the new institution, and its Board of Directors has generously agreed to provide Institute fellowships for the training of economists in various special fields.

Much the same might be said of the Organization of American States. I am going to speak quite frankly on this subject. I do not think that OAS has had a tradition of effective achievement in the field of economics, but to point this out in relation to the past should not create any misunderstanding as to the present and future. The Organization of American States will be the natural pivot for the application of the Alliance for Progress, and its economic agency must be strengthened so that the great task which Latin America has undertaken can be carried out successfully and without delay. Since I am well acquainted with the way things are being done at present, I have every faith in the ability of the Organization to discharge its new functions efficiently. And first among these new functions - to return to the Institute - I would place that of technical co-operation with the experts who, under the terms of the Charter of Punta del Este, will be responsible for the evaluation of economic development plans. The Organization of American States is keenly interested in collaborating directly not only in the planning process but in the evaluation of the economic development plans presented by Governments. This alone would fully justify the presence of its representative - the Under-Secretary for Economic and Social Affairs - on the Council of Directors of the Institute, not as a consultant but as an actual Director.

But there is yet another consideration to be taken into account. The Organization of American States has also promised me to contribute funds to defray the cost of fellowships in the various branches of study to be covered by the Institute, as well as for the subsequent training of the personnel needed by other international organizations and by the Institute itself. How, then, could the Organization of American States be excluded from the Council of Directors?

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What is more, I must state here and now that the negotiations leading up to the creation of the Institute have involved much hard work and many difficulties. A great deal of effort has had to be expended on breaking down objections and building up a real understanding of the problem, and, as Executive Secretary of ECLA, I have committed myself with the President of the Inter-American Bank and with the Secretary-General of the Organization of American States to including in my project the proposal that both these bodies should be represented on the Council of Directors of the Institute. Of course, my powers go no further, but the suggestion is dictated by my deep-rooted conviction of the need to keep these two institutions in close touch with our activities.

The other institution which I have also proposed should be represented on the Council of Directors of the Institute is ECLA itself. I will not cite the Commission's possible qualifications to direct an institute of this kind, through its representatives. Nor do I wish to embark on a discussion of this question, for obvious reasons but I should, on the other hand, like to cast a glance at the pragmatic aspect of affairs. ECLA forms part of the United Nations Secretariat, and so does the Special Fund. The largest contribution that is to be placed at the Institute's disposal is constituted by the resources which the Special Fund will provide, and which are not confined to the regular allocations just mentioned by the Chilean Minister for Foreign Affairs in his address. The Managing Director of the Special Fund, when we pointed out to him in the course of our negotiations that the Institute would not be endowed with what I estimated to be the minimum resources for its efficient operation, promised me that - in the case of missions to countries whose Governments requested assistance of this kind in the organization and running of their planning mechanism - the United Nations Special Fund would be prepared to meet such countries' requirements without limit. Consequently, apart from the funds originally contributed by the United Nations, additional resources will be made available in relation to specific applications for the Institute's advisory services submitted by the Latin American Governments.

The United Nations Bureau of Technical Assistance Operations, which has contributed so much in the past through its constant support of the

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advisory groups, is also prepared to continue providing resources to enable these groups to be established on a broader basis than the limited funds with which the Institute will begin operating would permit. This means that ECLA will play an important part in this fundamental aspect of the Institute's work. As the Special Fund sees it, ECLA would be what is known in the Fund's work as the executing agency, that is, it would represent the Fund itself in helping to carry out this part of the Institute's programme. In my view, Mr. Chairman, these facts provide ample grounds why ECLA too should be given an actual place on the Institute's Council of Directors, and should not be merely an advisor to a body emanating from the United Nations itself.

Lastly, the other body is the Institute itself. It was thought appropriate that its Director should also be given a place on the Council of Directors, but I do not have the same weighty reasons to justify this proposal as in the other three cases.

Leaving aside for the moment this immediate problem, there is another point to which I am very anxious to draw the attention of representatives. For years I have been plagued, as the Executive Secretary of ECLA, by the notorious problem of jurisdictional disputes, hair-splitting disagreements with other institutions, and in particular with the Organization of American States. These sterile, interminable and tedious differences finally led, at the beginning of 1961 (prior to the Alliance for Progress, but when the shape of things to come could already be discerned) to Dr. Mora, Mr. Felipe Herrera and myself resolving to settle once and for all these long-standing difficulties and to agree, not to co-ordinate -- a word which has been sadly overworked in the sphere of international relations -- but to work together instead of making piecemeal efforts, and unite to attain the great aims of economic and social development policy that Latin America had set itself. The three of us promptly agreed in confirming our overriding obligation, with respect to this problem, to refrain from any further dispersing or waste of our efforts, bearing in mind that there was still very little that the three organizations combined could give to Latin America.

It was thus that the so-called Tripartite Committee was established for joint action. The first fruit of this Committee was that we began

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to send joint advisory missions to the countries that asked for them. These were no longer ECLA missions, UNTA missions, OAS missions or Inter-American Bank missions, but joint missions established by common agreement between the three bodies in accordance with a programme approved by all three, ECLA being responsible to the Tripartite Committee, in an executive capacity, for carrying out the programme drawn up. If this is already the situation, and if the Institute is to be the basic instrument whereby the United Nations will be able to fulfil its functions and play its proper part within the framework of the Tripartite Committee, how can the Bank and OAS be excluded from participation in the direction of the Institute?

I have the feeling, Mr. Chairman, that this policy of working together was warmly welcomed at the Commission's last session. Consequently, when the organization of the Institute was being planned, I took steps to see that the bodies referred to should have full representation and responsibility in the directing body.

It is not only the Latin American Governments which have indicated the importance of this tripartite co-operation. In April 1961 I had the privilege of hearing President Kennedy's address to the Latin American Ambassadors at the White House, and on that occasion he stressed the significance for the new policy of co-operation with Latin America of the fact that the three regional economic organizations had united to provide joint service to the Latin American countries. In view of this, and of the foregoing considerations, I had no hesitation in placing before you the proposal concerning the constitution of the Institute's Council of Directors.

I have also been asked -- and I now revert to the problem I left on one side earlier -- why we propose all this in agreement with the Special Fund, and why we suggest that the Director General should be appointed by the United Nations Secretary-General in consultation with the Governments, instead of his being appointed directly by the Governments.

Either formula would be perfectly appropriate, but on the basis of the resolution unanimously adopted by the Commission at its ninth session we understood that this Institute was to be a body operating under the aegis of ECLA and forming part of the United Nations, with an autonomous

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character similar to that of the Special Fund and UNICEF. It was in this belief, and in view of the fact that most of the regular funds and of those that might be obtained subsequently would come from the United Nations, that I took it to be the obvious course to comply with the provisions of the Charter, to the effect that any member of the United Nations staff must be appointed by the Secretary-General. It was thus that Mr. Paul Hoffmann was appointed to the Special Fund with the rank of United Nations Under-Secretary, and the Director-General of the Institute will be given the same rank of Under-Secretary as the Executive Secretary of ECLA.

As I said before, there is another possibility, which is implicit in the programme submitted. This provides, as does last year's resolution, that the Latin American Governments can, whenever they so wish within the five-year period for which the Special Fund and the Inter-American Bank are providing funds, take complete and undisputed possession of the Institute, finance it with their own resources, and appoint its staff without regard to the rules of the United Nations. This means that such a possibility will remain open during the next five years; not only that, the Special Fund hopes that this is the course that the Governments will take, so that instead of needing further contributions from the Fund the Institute will be supported by the Governments, if in the first five years it proves itself.

I should add that my desire to obtain funds from the Inter-American Bank was largely due to the fact that, in order to comply with the practice of the Special Fund, we did not consider it appropriate at the initial stage of the Institute to approach the Governments with a request for the contribution that they would be asked to provide for its establishment according to the existing rules. Instead, I negotiated a contribution from the Inter-American Bank so that for the present the financing of the Institute would not involve any cost to the Latin American Governments.

However, I must once more stress that it is perfectly appropriate to make the Institute an autonomous body within the framework of the United Nations, a body that would be exclusively in the hands of the Latin American Governments.

II

The second problem I should like to consider is the old question of the decentralization of technical assistance. Technical assistance has actually been a unique experiment on the part of the United Nations, in the course of which we have all combined to achieve many triumphs and make many blunders. Perhaps one of our mistakes - natural enough at the time when so important a function was initiated - was the tendency to over-centralization whereby all decisions, major and minor, were adopted at United Nations Headquarters, perhaps because the regional commissions were still in their infancy, and the extent of their potential contribution to the study and solution of Latin America's problems was as yet unknown. But, as time went by, the regional commissions gradually gained strength, thanks to their own efforts and to the help of Headquarters itself; and little by little the experiment's own dynamic force has generated the need for a decentralization that will assign to the commissions a greater share of responsibility in the application of technical assistance.

In this connexion, a preliminary experiment was tried out some years ago and proved a failure; it failed because decentralization was not carried far enough, and the resources allocated to the regional secretariat in charge did not suffice for the efficient performance of its functions. The problem has recently been reconsidered, and it is with great satisfaction that I take advantage of this opportunity to stress what the delegations will have learnt from the documents distributed to them. The General Assembly of the United Nations has decided to decentralize technical assistance functions once and for all, and to grant the regional agencies the necessary resources to ensure the success of this new endeavour. Consequently, here at Santiago and in our Mexico Office, as well as at the office in Brazil, it will fall to us to play a more active part in the preparation of United Nations technical assistance programmes. As technical assistance is rendered and applied in terms of economic development requirements, I am confident that if ECIA has shown some insight into development problems, it will likewise be capable of channelling technical assistance along the lines best adapted to the requirements of development.

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Furthermore, as regards the technical assistance programmes of the specialized agencies of the United Nations, I also have pleasure in stating that some months ago, in this very room, and at the proposal of Mr. Owen, Executive Chairman of the Technical Assistance Board and of Mr. Hoffman, Managing Director of the United Nations Special Fund, all the Resident Representatives in Latin America met together with ECLA officials to establish norms for the exchange of information and ways and means of using this secretariat's services in the formulation of the over-all technical assistance plans of both the United Nations and the specialized agencies. Since the prevailing spirit at that meeting was constructive, I hope that ECLA will be able to make an increasingly valuable contribution to the preparation of technical assistance plans, especially in cases where the Institute sends out advisory groups, in conjunction with OAS and the Inter-American Development Bank, since it is precisely by means of those groups that requirements in this field directly linked to economic development can best be ascertained, evaluated and specified.

III

Lastly, I should like to add a few words on the co-operation requested from the ECLA secretariat, by virtue of the Commission's membership of the Tripartite Committee, in the implementation of the policy implicit in the Alliance for Progress, as well as on the contribution the secretariat was asked to make to the preparation of the documents presented at the first Punta del Este Conference.

We had long been convinced that the introduction of radical reforms in the economic and social structure of Latin America was an indispensable prerequisite for the acceleration of the region's rate of growth. For those of us who were persuaded that the expediting of economic development is not an end in itself, but an effective means of progressively improving income distribution in the interest of the broad masses; for those of us who contended that increasing large-scale and industrialization was an imperative need as a concomitant to the gradual introduction of modern techniques agriculture; for those of us who believed that this whole process

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of development and more equitable income distribution was not and could not be the outcome of the free interplay of economic forces, but must spring from conscious and deliberate State action in pursuit of clearly-defined objectives whose attainment will further both those ends, the enshrining of these long-cherished aims and ideals in the Charter of Punta del Este was an epoch-making event, opening up new prospects for the Latin American countries and magnificent opportunities for effective action.

It was for this reason that we unhesitatingly responded, not with indifference, but with enthusiastic zeal, to the summons to co-operate in the Alliance for Progress. Nor did we do so merely because it was a duty for those who had planted the seed of certain ideas to help in reaping the harvest. We did so first and foremost because in this radical change in international co-operation policy we saw something more than an official plan to furnish more substantial international resources for the economic development of Latin America. We saw that the promise of abundant resources was no longer dictated primarily by the aim of opening up new and fruitful fields for private capital -- laudable as such a purpose might be -- but was prompted by Latin America's requirements in respect of structural reform, and that, moreover, such contributions would be made in direct relation to our countries' ability and determination to honour the solemn economic and social commitments assumed under the Alliance for Progress at Punta del Este.

Nor is this all. For us, the Charter of Punta del Este is the expression of a transcendent political principle recognized by all the signatories: that of speedily incorporating in our economies the technological revolution which is radically transforming those countries that have hitherto been on the periphery of the world economy. The alternatives are clear and uncompromising. Either liberal international resources will be made available for the substantial expansion of capital formation with a view to the absorption of contemporary technology; or it will become essential to adopt drastic methods of capital formation and restriction of consumption -- and of growth of consumption -- such as generally entail severe political and social sacrifices, at least until a level of productivity and income has been attained. Similar to that of the developed countries which constitute a

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relatively small proportion of the world population. The Charter establishing the Alliance thus represents pre-eminently a move in the field of policy -- a vital decision on the policy to be adopted in order to reach the desired goal. A policy decision in that sense, but not a political decision in the sense that the provision of international resources or the amount placed at a country's disposal will have anything to do with whatever attitudes or commitments the country concerned may assume, in such a way as to undermine the authenticity of its major national decisions.

It is this conviction that has induced us, as a group of Latin Americans, to consider our position as international officials perfectly compatible with energetic collaboration in this supremely important policy of international economic co-operation.

Matters could hardly be otherwise; and the reason is that the fundamental success of the policy implicit in the Alliance for Progress depends essentially upon the completeness with which it is understood and accepted, and the steadfastness with which it is supported, by the broad masses of the Latin American peoples, with their sound national instinct as their guide.

Another requisite is the conscious allegiance of those whose thinking and whose action -- I refer particularly to the younger generations -- mark them out as destined to exert a decisive influence on the course of future events in this vast region. And we could not win that allegiance, without giving them the assurance that the new policy pursues solely the transcendent objective I have described.