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**ECONOMIC COMMISSION FOR LATIN AMERICA**  
**SIXTH ANNUAL REPORT**

(26 April 1953—10 February 1954)

ECONOMIC AND SOCIAL COUNCIL

OFFICIAL RECORDS : SEVENTEENTH SESSION

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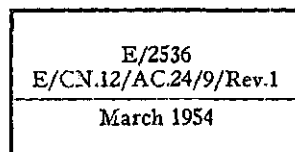
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### NOTE

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**ECONOMIC COMMISSION FOR LATIN AMERICA**  
**Sixth annual report to the Economic and Social Council for the period**  
**26 April 1953 to 10 February 1954**

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**Introduction**

**SCOPE OF THE REPORT**

1. This is the sixth annual report and covers the period from 26 April 1953 to the end of the meeting of the Committee of the Whole on 10 February 1954.

2. The report is divided into three major parts:

Part I presents a review of work projects and activities of the Commission. The main purpose of this part of the report is to describe the projects now being undertaken in regard to the annual *Economic Survey*, economic development, international trade including inter-Latin American trade, individual industries and economic reciprocity and integration in Central America.

Part II describes the Commission's relations with other intergovernmental bodies, principally the United Nations specialized agencies and the Inter-American

Economic and Social Council, with particular reference to co-ordination and co-operation.

Part III gives an account of the proceedings of the Committee of the Whole which met in Santiago from 8 to 10 February. Since there will be no regular session of the Commission in 1954 the main purpose of the meeting of the Committee of the Whole was to review the 1953/54 programme of work and to draft and present the annual report of the Commission to the Council. The Committee approved the programme of work and priorities for 1954/55.

A statement made by the Executive Secretary to the Committee on 8 February is included as an appendix.

3. This report was adopted by the Committee of the Whole on 10 February 1954.

**Part I**

**REVIEW OF WORK PROJECTS AND ACTIVITIES**

**Introduction**

4. The activities of the Commission during this period have covered a wide field, including projects calling for immediate practical action on the part of governments as well as research projects being carried out by the secretariat involving the preparation of studies for the use and guidance of governments.

5. 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, held 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 and on transport problems of Central America.

6. The Secretariat has continued its study of the paper and pulp industry and has been preparing for a meeting of experts on the industry which is scheduled to take place in Buenos Aires, Argentina, in September-October 1954.

7. The second course of the Economic Development Training Programme was completed, covering the period April to December 1953.

8. The research work of the Secretariat has included the revision and preparation for publication of several of the studies presented to the fifth session. As a result of the discussions at Rio de Janeiro and subsequent dis-

cussions with experts in the different fields, it has been possible to introduce ideas that reflect the thinking of a broad sector 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 Economic Development of Ecuador;
- Report of the Agricultural Credit Seminar in Central America.

The *Economic Survey of Latin America 1951/52* was published in January 1954; the other studies will be published in February and March 1954.

9. 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 publish it during the first half of 1954.

10. Work has progressed satisfactorily on a number of major projects which were given the highest priority by the Commission at its fifth session. Besides the work mentioned above, these 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; a 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; and participation in the United Nations technical assistance activities relating to the programme 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.

11. As in previous years, the Commission has had the full co-operation of all the specialized agencies and other international organizations (see part II below). As the work has progressed, this collaboration has become increasingly important. Liaison on all matters of mutual concern has been maintained with the other Regional Economic Commissions; reference to their co-operation as well as to that of other agencies is made below in the reports on the different studies. Co-operation with member governments has included discussions with leading economists in different countries, particularly on economic aspects of agriculture and industry and on the programming of economic development.

#### **Economic Survey**

12. The *Economic Survey of Latin America 1953*, 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.

13. 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, especially demand by the United States, for certain of Latin America's traditional exports of raw materials.

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

15. A reduction in the flow of United States capital to Latin America, both governmental and private, will be noted.

16. For Latin America as a whole the balance of payments in 1953 was maintained in equilibrium, but only as a result of drastic reductions in imports. It is recognized that these were temporary measures which, if continued for too long a period, would inevitably have an adverse effect upon economic activity and the rate of progress.

17. 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 some of these countries are now faced with the prospect of having difficulty in finding adequate markets for their exports.

18. There has been a surplus in the international markets for cereals, sugar and cotton, while coffee, for which prices have risen sharply in the world market, suffered a drop in production due to the heavy frost which affected Brazil in the winter of 1952.

19. 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 for copper resulting from unsold stocks and the drop in world prices. Latin America's output and exports of petroleum have been maintained despite certain indications that the world market may be weakening.

20. The *Survey* will emphasize the increasing disequilibrium between falling world prices of the goods produced in Latin America and the sharply rising costs 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**

21. The Commission at its 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 the Secretariat to continue and to amplify studies concerning the technique of programming economic development and, with respect to country studies, to take into account the objective of a balanced development which is one of the basic targets of a programme. It also emphasizes the need to study the role of monetary and fiscal policies in promoting economic growth. In preparing new studies on the technique of programming, the Secretariat also plans to improve the methodology used in the preliminary study.

22. The secretariat has been revising the preliminary study for publication. Commentaries have been received from many sources and round-table discussions have been held with outside economists in order to make a critical appraisal of the study. This has suggested an improved methodology for future country studies.

23. 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 measuring 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 assisting the governments by providing the background material and basis for formulating an integrated economic development programme.

The country studies are being made with the collaboration of the appropriate government departments and agencies. The study on the economic development of Brazil originated in a request from the Banco Nacional de Desenvolvimento Economico. A group of ECLA economists is working at the Banco, with the collaboration of Brazilian economists.

24. 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 the requirements of industrial production for final and intermediate products. Long-term estimates are being made of the balance of pay-

nents 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 changes in the composition of imports, as well as the role of foreign investment.

25. 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.

26. 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 role of recent fiscal and monetary policies in economic development, from the point of view of their 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**

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

28. 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 analysis, particularly in regard to economic development.

29. 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 Director of the Mexico Office of ECLA.

#### **ECLA/TAA economic development training programme**

30. 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 were appreciated by the governments. Resolution 48 (V) adopted at the fifth session recommended that the programme be maintained and expanded so far as possible.

31. 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; Ecua-

dor, one; Guatemala, one; Mexico, one; Nicaragua, one.

32. 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. During the second month an examination was made of the experience in development of a number of Latin-American countries as well as in countries outside the region. 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.

33. 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.

34. 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.

35. 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.

#### **Studies of industries**

##### **(a) IRON AND STEEL TRANSFORMING INDUSTRIES**

36. At its fifth session, the Commission recommended that the secretariat continue work relating to the iron and steel industry and, in particular, investigate, among other aspects, the development of the iron and steel and related transforming industries in Latin America.

37. Work on a general study along these lines was initiated immediately after the session. 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, the relation of investment and production costs to production processes, and the 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.

38. 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 available resources, semi-finished steel products, and the technical and economic problems affecting the manufacture of specific articles.

39. 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 of substituting domestic products for imports of essential goods on an economic basis.

40. A limited capacity to import, coupled with the growing demands of the metallurgical industries, point 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.

41. The first phase of the work 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, which cannot be investigated in the field. Field work is now under way for a study on Brazil. Studies on Colombia, Mexico and eventually Argentina will follow.

42. The secretariat of the Economic Commission for Europe has collaborated on a number of aspects, including data on markets, technological changes and statistics.

#### (b) PULP AND PAPER INDUSTRY

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

44. 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.

45. The growing demand for newsprint and all forms of pulp and paper increasingly strains the foreign exchange resources of the Latin-American countries. Due to limited foreign exchange, 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 to remain at the present level and all the projects to expand production which are now envisaged were carried to completion, Latin America would still show a substantial deficit of pulp and paper in 1965. The solution to these problems lies in producing sufficient pulp and paper in the region to meet present and potential needs.

46. 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. Latin America's raw materials of known value for the manufacture of pulp and paper include, in addition to conifers, 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 transport; classification of raw materials by types and degrees of economic value; and the technical and economic aspects of production.

47. A further stage would be the planning of manufacturing, including consideration of financing, both domestic and foreign, and of markets and distribution

48. It is planned to hold a meeting of experts on all aspects of the industry in Buenos Aires, in September-October 1954. This meeting will be sponsored by ECLA, TAA and FAO, with the collaboration of UNESCO, 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 and August 1953 and discussed the programme with the FAO Forestry and Forest Products 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 development prospects for pulp and paper industries;

(6) Prospects in pulp and paper trade;

(7) Financing of Latin-American pulp and paper industry development.

49. During the months of August to November, leading pulp and paper technicians and institutions in Sweden, Western Germany, France, the United Kingdom, 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 will deal with the utilization of as sorted tropical and temperate zone hardwoods and bagasse, as raw material for pulp and paper. Secretariat papers will 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 UNESCC and the secretariat of the Economic Commission for Europe.

50. As there is no industrial experience in 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 systems for wood extraction and transportation and the preliminary design of pulp and paper mills. The results of these studies are expected to provide enough data for a preliminary cost and invest

ent analysis to be made, and for discussion of the economics of pulp and paper manufacture in the tropical regions. The pulping tests will be made with the cooperation 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 studies will be made by individual experts. Research will also be undertaken, in cooperation with the Banco de Fomento Agrícola e Industrial de Cuba, in regard to the utilization of sugarcane bagasse.

### (c) CHEMICAL INDUSTRIES

51. The Commission, at its 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. Work so far undertaken includes an analysis of imports of chemical products into selected countries in Latin America. Special consideration has been given to the relationship between consumption of heavy chemicals, such as alkalis, 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 have 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 factor limiting industrialization is recognized by governments as an urgent problem to be considered within the framework of the economic development of the region.

53. In response to a recommendation made by the Commission at the fifth session, the secretariat has begun preparatory work on a study in which special consideration will be 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 hydroelectric 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 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. Full advantage is being taken of the experience in this field acquired by the Economic Commissions for Europe and for Asia and the Far East, with whom liaison and a regular exchange of documents is maintained.

### International trade and finance

#### (a) TERMS OF TRADE

56. At the time of the fifth session there were clear indications of a worsening of the terms of trade for a number of Latin-American countries, this being a matter of great concern to governments. It prompted 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, at the end of which 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".<sup>1</sup>

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 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) published its report on *Commodity Trade and Economic Development* (E/2519) in January 1954.

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 has been concentrated recently 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 organizing 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 manufacturers in adapting their products to the particular needs—due to physical and economic conditions—of Latin-American countries, and in establishing manufacturing 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.

<sup>1</sup> Resolution 46 (V). Copies were made available to the delegations at this meeting of the Committee of the Whole for their information.



(c) INTER-LATIN-AMERICAN TRADE

63. The problems of intra-regional trade have been the subject of continued study. A preliminary study on the possibility of expanding trade within the region—was presented to the fifth session (E/CN.12/304); owing to limitations of time and staff resources, this was confined to the seven countries of southern South America.

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 secretariat is working on a continuing project covering various aspects of inter-Latin-American trade. Because the scope of the resolution is broad, 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 problem 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 essential imports of foodstuffs. 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 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 the GATT policies for Latin-American countries and on trade in manufactured goods. The secretariat is in consultation with the GATT secretariat and expects to have their co-operation in the preparation of the study.

(5) A study of trade problems in their relation to maritime shipping: in view of the importance of transportation problems as a factor in inter-Latin-American trade, 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 from 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 of 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 im-

proving 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, in 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 Headquarters. This study gives the historical and present status of foreign investments in the economies of the different countries and the policies of the governments towards foreign investments, as expressed in legal 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 TRANSPORT IN CENTRAL AMERICA

66. A Seminar on transport in Central America was held in San José, Costa Rica, from 9 to 20 June 1953, under the auspices of the Commission, the United Nations Technical Assistance Administration and the Government of Costa Rica. The purpose of the Seminar was to study the preliminary version of the report drafted by the joint mission nominated 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 the Inter-American Economic and Social Council. The Mexico City Office of ECLA was responsible for the organization of the Seminar.

67. In the light of the discussions, during which the recommendations of the Mission were examined, new data were included and corrections were made to the preliminary findings,<sup>2</sup> the Mission drafted its final report, which was published under the title *Transport in Central America* (E/CN.12/356) and presented to the Central American Governments on the occasion of the second meeting of the Committee for Economic Cooperation of Ministers of Economy of Central America (see paragraphs 71-82 below).

68. The report is the first complete and thorough study to be made of the transport situation and of transport problems in Central America. It covers railway highways, road transport, seaports and maritime shipping, river transport, air transport and transport policies. The report is divided into three parts: the first describes the present transport situation in each country; the second examines the regional problems affecting the different methods of transport and makes recommendations for their solution; the third deals with intern-

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

transport problems common to the six countries and advances recommendations.

69. The report is mainly focused on the integration of transport in the area, not only to strengthen the traditional ties between these countries and increase their trade relations, but also to further the general programme of economic integration and reciprocity of the Central American Republics; this calls for a considerable improvement in the means of communication and a reduction in transport costs. Since the integration of communications is closely related to the development of internal transport systems in each country, the Mission felt that its terms of reference covered a detailed study of these individual problems and their relationships to greater efficiency in inter-Central American transport. For example, international roads, among them the Pan-American Highway, cannot yield the maximum benefit unless they are supplemented by a carefully planned network of secondary highways and tributaries. In the same way the possibilities for improving inter-Central American coastal shipping depend upon improvement of ports and their efficient operation. The report deals fully with these and other problems.

70. The recommendations of the technical mission on international road transport refer principally to the construction and completion of the Pan-American Highway and other important international links such as the Pacific coastal highway from Guatemala to Nicaragua and the inter-oceanic highway, La Libertad-Puerto Cortes, between El Salvador and Honduras. Recommendations are also made for facilitating and regulating automotive traffic between the different countries; for examining the possibilities of creating a Central American merchant shipping line and considering certain ports from a regional standpoint; and for measures to improve air traffic and to extend individual national air services to neighbouring countries. The principal recommendations in regard to internal transport refer to the rehabilitation of the railway systems and to changes in freight tariffs; to the adoption of a possible seven-year plan for building an adequate network of internal roads and to the solution of common problems of a technical nature. They also deal with methods for reducing the cost and improving the operation of road transport; with shipping and port problems; with air transport; with inland waterways and the desirability of formulating a co-ordinated transport policy within the framework of a centralized administration and plan.

(b) SECOND MEETING OF THE COMMITTEE FOR ECONOMIC CO-OPERATION OF MINISTERS OF ECONOMY OF CENTRAL AMERICA

71. The second meeting of the Committee for Economic Co-operation of Ministers of Economy of Central America was held from 13 to 16 October 1953, in San José, Costa Rica. It was attended by the Ministers of Economy of the five participating countries and by an observer nominated by the Government of Panama, as well as by representatives of TAB, TAA and of specialized agencies. The meeting was opened by the President of the Republic of Costa Rica, His Excellency Mr. Dtilio 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. The Mexico City office of ECLA was responsible for the organization of the meeting.

72. The report presented to the Committee by the ECLA secretariat contained an account of the work done since the first meeting and of the collaboration of the Technical Assistance Board and some of its participating agencies. It was noted that, in 1953, TAB approved the appointment of six technical missions, among those requested by the Central American Governments, to undertake the following studies from a regional viewpoint: possibilities for the development of electric energy; establishment of an Institute for Industrial Technological Research; processing of forest products, pulp and paper; establishment of livestock and dairy products industries; creation of an Advanced School of Public Administration and an examination of problems related to technical and administrative training. The Committee took note of the establishment 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 this technical assistance. It 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 receive attention in 1954.

74. In addition to the programmes initiated in 1953, attention was drawn to new requests for technical assistance in the following sectors during 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 Uniform Central American Customs Nomenclature. The Committee was gratified to note that this 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 for 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 establish a new sub-committee, 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 nominated by TAA and other competent organizations.

76. One of the points of major interest in regard to Central American economic integration is the policy followed by some countries in the area aimed at establishing free trade in certain commodities. The Committee emphasized the importance of continuing to give effect to bilateral free trade treaties and requested the secretariat to study the possibility of concluding a multilateral agreement in the future.

77. After studying the Transport Report, the Committee expressed its appreciation of the work done and recommended that member governments should give careful consideration to the recommendations of the Mission. Since the study constitutes a basis for further work of a more concrete nature, the Committee requested the secretariat to submit preliminary plans for implementing the recommendations, to be examined by meetings of Central American experts. The Committee

drew attention to the following points of special interest: co-ordination of international land communications; regulation of international road traffic; unification and improvement of shipping and port services; joint action to reduce maritime freight rates and insurance; regulation and expansion of Central American air services; and co-ordination and improvement of transport statistics. The Committee also allotted top priority to a detailed study for determining whether an economic basis exists for the creation of a Central American merchant shipping line. The Committee also expressed interest in a similar study in connexion with a possible Central American air transport company.

78. The Committee studied a report on the financing of economic development, prepared by an expert consultant. This deals with different aspects of the problem of channelling savings in Central America. It examines existing financial institutions, the extent of the capacity for savings, the operation of stock markets and the possibilities for developing them. Although there are no industrial projects ready to be financed as part of the integration programme, the report considers various alternative methods for financing such projects including a possible development institution for the whole region. The Committee expressed its interest in the report and suggested that, pending the emergence of 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 these 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 Transport Study, a further practical measure of technical assistance for integration approved by the Committee was the proposal to establish 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 who prepared it. The School will fill an urgent need in Central America for improvement in the technical training of high officials in public 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 open early in 1954, will provide theoretical and practical instruction for an initial group of twenty-five fellows from the Central American republics. The Technical Assistance Administration 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 school 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 practical possibilities for 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 this area. Mention should also be made of the substantial technical contribution of the United Nations, through the Commission and the technical assistance rendered by TAA and the specialized agencies.

81. Due to 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 rules of procedure of the Committee. The principal change is in the sense that other ministers, and not exclusively the Ministers of Economy, may be included in the Committee. The governments continue to exercise the option of nominating other ministers to attend the meetings of the Committee, while the Ministers of Economy in any case maintain their status as *ex officio* members. The above amendment is contained in article 2 of the Committee's rules of procedure as approved. Other amendments are contained in articles 3 to 6. The functions of the Committee remain unaltered; it was agreed that in future it would be known as the "Committee on Economic Co-operation in Central America".

82. Finally, the Committee drafted a detailed report of its work between the first and second sessions and of the subject matter and discussions at the latter session. The resolutions adopted and the text of the rules of procedure are included in this report. (See "Report of the Committee on Economic Co-operation in Central America" E/CN.12/AC.24/5).

## Part II

### RELATIONS WITH SPECIALIZED AGENCIES AND OTHER ORGANIZATIONS

#### A. Introduction

83. All aspects of the Commission's work have been co-ordinated with that of other international bodies operating in related fields in Latin America. Co-operation has taken the form of consultation and exchange of ideas and material 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 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 these organizations as well as ICAO, have sent expert missions 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 in 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 1954.

88. The co-ordination of agricultural statistics has been continued and FAO has contributed to ECLA's Economic Survey.

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

INTERNATIONAL MONETARY FUND

90. The Fund has continued to co-operate with ECLA in the preparation of studies for the proposed 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. The two secretariats maintain mutual contact 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

91. ILO has continued to collaborate with ECLA in the Inter-Agency Regional Co-ordination Committee on Migration. As stated above, 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 his field included in the programme.

UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION

92. The two secretariats have maintained contact with respect to problems of common interest. The Director-General of UNESCO visited ECLA Headquarters in September 1953 and exchanged views with the Executive Secretary regarding future collaboration. 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. UNESCO is also actively assisting in the preparation for the meeting on the pulp and paper industry.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

93. The Bank and ECLA have exchanged information on various problems and projects. The Secretariat as 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 transport, the Institute for Industrial Technological Research, and electric energy.

INTERNATIONAL CIVIL AVIATION ORGANIZATION

94. 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 transport in Central America and in the subsequent seminar. The secretariats have discussed means of collaboration for the study of air transport problems in Central America.

C. Inter-American Economic and Social Council

95. The Executive Secretaries of ECLA and IA-ECOSOC submitted a joint statement to the Committee of the Whole. In this statement they pointed out that:

"The Executive Secretaries of the two organizations have held two meetings since the fifth session of ECLA in April 1953. A meeting was held in Washington on 24-26 June 1953 and another in Santiago on 5-6 February 1954. Between these meetings there was continuous consultation and exchange of ideas and materials concerning the work in progress.

"The purpose of these meetings has been to ensure that the research and studies being pursued by the two organizations would supplement each other and that there should be mutual collaboration on special projects whenever resources are available and the best results may be achieved in this manner.

"In considering these matters it is necessary to differentiate between problems of a broad character and those of a more limited scope, especially since the former are more likely to reflect areas of common interest. Such problems as economic development and inter-Latin-American trade are necessarily of a very broad character and thereby of continuing importance in the development and execution of a constructive work programme for each organization.

"The Executive Secretaries are in complete accord on the need and feasibility of continuous consultation as the best means of assuring effective co-ordination in the mutual development of research in these broad fields of enquiry and analysis.

"In examining the specialized topics in their respective work programmes, the Executive Secretaries reviewed the projects in which they have collaborated during the past year and considered plans for further collaboration along these lines".

96. The statement went on to give an account of a number of projects in which the two secretariats are collaborating, and also discussed possible collaboration on certain other projects (doc. E/CN.12/AC.24/7).

97. With regard to co-ordination at the governmental level, the Executive Secretary of ECLA has been in regular communication with the Director-General of OAS. In June 1953 he went to Washington in order to discuss practical and positive measures for achieving adequate co-ordination between ECLA and IA-ECOSOC at the governmental level.

98. During the talks held at that time, certain constitutional problems arose which led the Executive Secretary of ECLA to consult the Legal Department of the United Nations. The opinion of this Department is contained in document E/CN.12/AC.24/6/Add.1, which analyses the legal relationship between the two bodies, their terms of reference and the limits to which action of the Executive Secretary in these negotiations is restricted. A copy of this report was sent to the Director-General of OAS in October 1953, together with a statement commenting in detail on the measures for co-ordination which were serving as a basis for the discussions and which included:

(1) The establishment of a procedure by which ECLA and IA-ECOSOC reports could be used by both bodies, on a mutual, reciprocal basis;

(2) Agreement for the joint accomplishment of work between the secretariats of ECLA and IA-ECOSOC or for the inclusion in the work programme of each organization of subjects in which the other party showed interest;

(3) The establishment of a reciprocal system for consultation on the holding of special conferences or technical meetings;

(4) Agreement that the meetings of the two bodies should be held alternately and at reasonable intervals.

99. The Secretary-General of OAS, considering that decisions might be taken at the Tenth Inter-American Conference which could alter the bases for conversations, recommended that further negotiations be postponed until after that meeting.

### Part III

## ACCOUNT OF PROCEEDINGS OF THE COMMITTEE OF THE WHOLE

### A. Membership, attendance and organization of work

#### 1. OPENING AND CLOSING MEETINGS

100. The Committee of the Whole met in Santiago, Chile, from 8 to 10 February 1954. Mr. Tobías Barros Ortiz, Minister of Foreign Affairs of Chile, delivered an address at the opening meeting, to which Mr. Hugo de Pena, Ambassador of Uruguay, responded on behalf of the delegations. (Document E/CN.12/AC.24/SR.1.)

101. At the closing meeting, on 10 February, addresses were delivered by Mr. Guillermo del Pedregal, Minister of Finance and Economy of Chile and Chairman of the Committee of the Whole, the representative of Colombia, Mr. Pedro Rueda Martínez, on behalf of the delegations, and Mr. Benjamin Cohen, Assistant Secretary-General of the United Nations in charge of Public Information, representing the Secretary-General.

102. The Committee of the Whole adopted the sixth Annual Report of the Commission (including the programme of work and priorities for 1945-1955) to the Economic and Social Council.

#### 2. MEMBERSHIP AND ATTENDANCE

103. Delegations from the following member governments were in attendance: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, France, Guatemala, Haiti, Honduras, Mexico, Netherlands, Nicaragua, Panama, Paraguay, Peru, United Kingdom, United States, Uruguay and Venezuela.

#### (a) Report of the Chairman and Vice-Chairmen on examination of credentials

104. The Chairman, in accordance with paragraph 14 of the Commission's rules of procedure, reported to the meeting held on 10 February 1954 that the credentials of the delegations as presented to the Executive Secretary had been examined by the Chairman and Vice-Chairmen and found to be in order.

#### (b) List of delegations

##### *Argentina*

Representative: Ismael de la Cruz Guerrero, Ambassador to Chile.  
Alternates: Alberto Pérez Villamil, Gabriel Martínez.

##### *Bolivia*

Representative: Fernando Iturralde Chinel, Ambassador to Chile.  
Alternates: Luis A. Alipaz, Ricardo Ocampo.

##### *Brazil*

Representative: Henrique Rodrigues Valle, Chargé d'Affaires in Chile.  
Alternates: Egberto da Silva Mafra, Federico Carlos Carnauba.

##### *Chile*

Representative: Guillermo del Pedregal Herrera, Minister of Finance and Economy.

Alternates: Alberto Sepúlveda Contreras, Alfonso Fernández Martorell, Samuel Radrigán Oyanedel Sergio Molina Silva, Felix Ruiz Cristi, Julio Rieth muller Spoerer, Jacobo Schatán Weitzman, Víctor Rioseco Vásquez.

##### *Colombia*

Representative: Pedro Rueda Martínez.

##### *Costa Rica*

Representative: Porfirio Morera Batres.  
Alternate: Jaime Barrantes Bermúdez.

##### *Cuba*

Representative: Ramiro Hernández Portela, Ambassador to Chile.

##### *Dominican Republic*

Representative: Nilo H. Soto, Chargé d'Affaires in Chile.  
Alternate: Jaime Mariano Angel Cestero.

##### *Ecuador*

Representative: Carlos Puig Villazar.

##### *El Salvador*

Representative: José Avilés.

##### *France*

Representative: Jacques Coiffard, Ambassador to Chile.  
Alternate: Jean Paul Anglés.

##### *Guatemala*

Representative: Ramiro Ordoñez Paniagua, Ambassador to Chile.

##### *Haiti*

Representative; Arnaud N. Merceron, Chargé d'Affaires in Chile.

##### *Honduras*

Representative: Virgilio R. Gálvez, Ambassador to Chile.

##### *Mexico*

Representative: José de J. Nuñez y Domínguez, Ambassador to Chile.  
Alternate: Enrique Solórzano Menocal.

##### *Netherlands*

Representative: P. A. Kasteel, Minister Plenipotentiary to Chile.  
Alternate: J. R. Huys.

##### *Nicaragua*

Representative: Alfredo Hernández Camus.

##### *Panama*

Representative: Carlos Ycaza Vásquez, Ambassador to Chile.  
Alternate: Luisa Aguilera Patiño.

##### *Paraguay*

Representative: Mario Mallorquín, Ambassador to Chile.

*Peru*

Representative: Jorge Lorente de Patrón.

*United Kingdom*

Representative: Charles N. Stirling, C.M.G., Ambassador to Chile.

Alternates: J. H. Wright, H. A. J. Griffiths.

*United States*

Representative: William Sanders.

Alternate: Claude Courand.

*Uruguay*

Representative: Hugo V. de Pena, Ambassador to Chile.

*Venezuela*

Representative: Hernán Gonzáles Vale.

c) *List of Representatives of specialized agencies*

*International Labour Organisation*: Moises Poblete Troncoso.

*Food and Agriculture Organization*: B. Osorio-Tafall.

*International Bank for Reconstruction and Development*: Harold Larsen.

*International Monetary Fund*: Ivar Rooth, Managing Director of the Fund.

d) *List of representatives of inter-governmental organizations*

*Inter-American Economic and Social Council*: Amos Taylor, Executive Secretary.

*Inter-Governmental Committee for European Migration*: Mario Prieto.

e) *List of representatives of non-governmental organizations*

Category A

*International Chamber of Commerce*: Hernán Elizalde G., Carlos A. Vidal.

*International Confederation of Free Trade Unions*: Luis Fuentes Zapata, Wenceslao Moreno, Manuel Ovalle Quiroga.

*International Federation of Christian Trade Unions*: William Thayer A.

*World Federation of Trade Unions*: Juan Vargas Puebla.

Category B

*Agudas Israel World Organization*: Luis Adler.

*All Pakistan Women's Association*: Ana Figueroa.

*Catholic International Union for Social Service*: Clara Calvo.

*Commission of the Churches on International Affairs*: Pedro Zottele, Andrew Mouravieff Apostol.

*Co-ordinating Board of Jewish Organizations for Consultation with the Economic and Social Council of the United Nations*: Israel Drapkin, Mendel Steinsapir.

*Inter-American Council of Commerce and Production*: Ernesto Barros Jarpa, Germán L. Fischer, Benjamin Aguirre.

*Inter-American Federation of Automobile Clubs*: Eduardo L. Edo, Tomás Eduardo Rodríguez, Rodrigo García Lyon.

*International Catholic Migration Commission*: Cristobal Unterrichter.

*International Committee of Scientific Management*: Harold B. Maynard.

*International Organization for Standardization*: Carlos Krumm.

*International Road Federation*: Sergio Miquel.

*International Society for Criminology*: Israel Drapkin.

*Liaison Committee of Women's International Organizations*: Elisa de Elphick.

*Pax Romana—International Catholic Movement for Intellectual and Cultural Affairs—International Movement of Catholic Students*: Benjamín Dávila, William Thayer A., Alejandro Silva B., Raúl Irarrázaval L.

*South American Petroleum Institute*: Eduardo Simian.

*Women's International League for Peace and Freedom*: Ida Colombo de Lagarrigue.

*World Jewish Congress*: Fernando Friedman, Roberto Levy, Sol Sinay.

*World Power Conference*: Domingo Santa María.

*World Woman's Christian Temperance Union*: Laura Jorquera.

*Young Christian Workers*: Wim Verbakel.

3. ORGANIZATION OF THE WORK OF THE COMMITTEE OF THE WHOLE

105. The following officers were elected at the first meeting:

*Chairman*: Guillermo del Pedregal (Chile).

*Vice-Chairman*: Ramiro Hernández Portela (Cuba).

*Vice-Chairman*: Hugo V. de Pena (Uruguay).

*Rapporteur*: José Avilés (El Salvador).

**B. Agenda**

106. The agenda, as adopted by the Committee at its meeting on 8 February 1954, was as follows:

1. Opening addresses.
2. Election of officers for the meeting.
3. Adoption of the agenda.
4. Progress report by the Executive Secretary (E/CN.12/AC.24/2/Rev.1).
5. Economic Integration in Central America. Annual report of the Committee on Economic Cooperation in Central America (E/CN.12/AC.24/5), with a note by the Executive Secretary.
6. Technical Assistance for Economic Development:
  - (a) Report prepared by the secretariat of the Technical Assistance Board and submitted for the information of the Committee (E/CN.12/AC.24/3).
  - (b) Report by the Technical Assistance Administration on technical assistance activities in the ECLA region (E/CN.12/AC.24/4).
7. Progress report on co-ordination between ECLA and IA-ECOSOC.
  - (a) Statement by the Executive Secretary on the action taken for co-ordination between ECLA and IA-ECOSOC at the governmental level since the fifth session (E/CN.12/AC.24/6).
  - (b) Joint statement by the Executive Secretaries of ECLA and IA-ECOSOC on co-ordination at the secretariat level (E/CN.12/AC.24/7).
8. Programme of work and priorities. Statement by the Executive Secretary on programme of work and priorities for 1954-55 (E/CN.12/AC.24/8).
9. Consideration and adoption of the annual report of the Commission to the Economic and Social Council.



## C. Proceedings and resolutions

### 1. ACCOUNT OF PROCEEDINGS

#### (a) *Progress report of the Executive Secretary*

107. In discussing the activities and the work being done by the Commission as set forth in the Executive Secretary's progress report, the delegations made a number of observations, some of which merely called for clarification on the part of the secretariat, while others were of a more substantive nature.

108. Delegations showed considerable concern with respect to recent fluctuations in prices and demand for Latin-American raw materials, pointing out that deterioration in the balance of payments as a result of decreased demand or decline in prices would seriously influence investments and policies for restricting imports.

109. Special attention was paid to the coffee situation and the secretariat was urged to initiate a study of this commodity with a view to presenting the facts for the benefit of the consuming as well as of the producing countries.

110. During the consideration of the section of the report referring to the *Economic Survey*, the delegation of the United States stated that the policy of the United States in distributing surplus agricultural commodities abroad was not to displace the usual markets of either the United States or friendly foreign countries, and that it has no intention of changing such a policy.

111. There was reference to the gratifying results of the ECLA/TAA Training Programme as well as the economic development studies being undertaken by the secretariat.

112. The Argentine delegation announced that its Government had recently signed an agreement with ECLA, TAA and FAO to hold the pulp and paper meeting of experts in Buenos Aires, towards the end of 1954, and emphasized the importance of the development of this industry for the Latin-American countries as a means of meeting their own needs for paper and for saving foreign exchange which could then be used for other essential imports.

113. One of the questions raised in the discussion referred to the proposed ECLA/ECE technical trade mission to investigate the technical and commercial conditions necessary for the expansion of certain imports from Europe. After discussing the nature and purpose of the study and how it might best be carried out, it was agreed that the secretariat should proceed with its intention to consult with member Governments to ascertain whether they were in favour of having a mission visit the Latin-American countries for the above purpose.

114. In this connexion the United States delegation, clarifying the position of its Government, stated that the United States did not consider the organization of a mission under the United Nations the appropriate way to carry out the work envisaged in resolution 45 (V) which requested the secretariat to continue studies of Latin-American trade with industrial centres, to analyse the probable development of the demand and to examine the possibilities for satisfying future demands. The United States was of the view that this should be done by studies.

115. It was especially noted that several projects having high priority had not yet been initiated. Particular mention was made of the *Quarterly Bulletin*, a further study on the possibility of utilizing the facilities of the

European Payments Union, and the problem of term of trade. The hope was also expressed that the study of the influence of GATT policies on inter-Latin-American trade might be made available to governments before the next session of contracting parties to GATT in October 1954.

116. In answer to queries about these studies, it was stated that the secretariat hoped to start the publication of the *Bulletin* this year provided that the necessary equipment could be made available; that the International Monetary Fund is collaborating with ECLA on a study of the network and flow of payments of Latin American countries; and that everything possible would be done to complete the so-called GATT study in time for the meeting in October.

117. In referring to studies on price relationships, the secretariat drew attention to the report on *Commodity Trade and Economic Development* prepared by a group of experts in accordance with General Assembly resolution 623 (VII).

#### (b) *Economic reciprocity and integration in Central America*

118. The annual report of the Committee on Economic Co-operation in Central America was presented to the Committee of the Whole. The Central America delegations expressed their appreciation of the completeness of the report and made particular reference to the programmes on: public administration; the Institute for Industrial Technological Research; the unification of tariff nomenclature; trade treaties; electric energy transport; and forest products.

119. One delegation expressed the hope that the economic integration of Central America would be pursued so as to stimulate more efficient production and lead to an over-all expansion of trade.

120. The Committee of the Whole adopted a resolution (73 (AC.24)) expressing its satisfaction with the manner in which the Committee on Economic Co-operation in Central America was carrying out its work and recommending that the secretariat continue its studies for promoting the integration of the Latin-American economies.

#### (c) *Activities in Latin America under the United Nations Programmes for Technical Assistance*

121. A number of delegations expressed their appreciation of the technical assistance programme and specifically mentioned projects of particular value to the respective countries. Among the most important of these projects were those for training specialists in economics, public administration, industrial arts and agricultural sciences. Several delegations specifically noted the work being done by the specialized agencies as well as TAA and considered it necessary that there should be close co-operation between ECLA and these agencies in carrying out their programmes, in order to achieve the maximum results for the development of Latin-American countries.

122. The necessity for a systematic appraisal of technical assistance programmes was emphasized in order to evaluate the results and to find out the extent to which the recipient governments have followed up such aid.

123. The Latin-American delegations were of the opinion that Latin America as a region did not receive adequate funds as compared with other areas. In noting the excellent results obtained in Central America in concentrating and co-ordinating technical assistance for a group of countries having common social and economic

interests and problems, several delegations proposed that this method of allocating and administering technical assistance funds be extended to other regions in Latin America, as appropriate. In this connexion they suggested that consideration be given to the possibility of setting up regional committees for programming technical assistance for groups of countries.

124. After considering several proposals, the Committee of the Whole adopted a resolution (75 (AC.24)) commending to the Council that a study of the results of United Nations technical assistance programmes in Latin America be undertaken, and that the opinions of the member governments be solicited as well as their suggestions for improving such programmes.

d) *Co-ordination with the Inter-American Economic and Social Council*

125. There was general agreement that there is abundant work and ample scope for both ECLA and IA-ECOSOC to contribute to the solution of economic problems in Latin America, and that both organizations are doing useful work. In referring to the joint statement of the Executive Secretaries, the delegations expressed their appreciation of the manner in which the two secretariats had collaborated so as to ensure that their respective programmes would complement and benefit each other. The Executive Secretary of IA-ECOSOC expressed the view that the joint statement represented a satisfactory and desirable method for ensuring adequate co-ordination on the basis of existing programmes.

126. A number of delegations specifically stated that their governments supported and will continue to support both organizations.

127. Some of the delegations raised questions concerning co-ordination at the governmental level, pointing out the necessity for arranging meetings so that they would not overlap. One delegation also urged that individual governments take measures to secure co-ordination within government so as to follow a consistent policy with respect to both organizations.

128. The Committee of the Whole took note with satisfaction of the statement by the Executive Secretary on the action taken for co-ordination between ECLA and IA-ECOSOC at the governmental level and of the manner in which he was carrying out his mandate for reaching an agreement with the Director-General of OAS on adequate measures for achieving co-ordination at the governmental level (resolution 74 (AC.24)).

(e) *Programme of work and priorities*

129. After discussing the activities of the Commission and considering the status of the work being undertaken, the Committee of the Whole decided to continue the existing work programme into 1955. In so doing the Committee was mindful of resolution 497 C (XVI) of the Economic and Social Council, which requests the Commissions to review their programmes for 1955 "(a) in the light of the criteria for priorities established under Council resolution 324 (XI), (b) in accordance with the procedures for indicating priorities outlined under Council resolution 402 B (XIII) and (c) in the light of the United Nations priority programmes listed under Council resolution 451 A (XIV)".

130. It should be noted that the basic work programme established by the Commission at its session in Mexico in June 1951 was continued and amplified at the Rio de Janeiro session in April 1953. At the beginning of the latter session, the secretariat presented a com-

prehensive statement on the policy of the Council, as set forth in resolutions 324 (XI), 402 B (XIII) and 451 A (XIV). This statement (E/CN.12/310) was made available to the Committee of the Whole for its information.

131. The Commission, taking into full account the Council policy and the United Nations system of priorities, has formulated its programme during previous sessions so as to concentrate work on problems which are of most immediate concern to the governments of the region and has given to the secretariat discretion to adapt the programme to circumstances as they may arise and to the staff and other resources available to it. Since the resources have not been sufficient to cover the whole programme, it was necessary for the secretariat to delay work on some projects which, although important, have less priority. In resolution 362 B (XII), adopted in March 1951, the Council stated that "... the question of economic development of under-developed countries in all its aspects is ... a problem to which the Council must give most urgent attention. . .". In accordance with this resolution, the resources of ECLA have been centred principally on problems related to the technique of programming economic development and the need to accelerate the rate of growth, both by means of industrial and agricultural expansion and the promotion of intra-regional and international trade. Taking into consideration the above factors the Committee felt no change should be made in the programme, realizing that work on some of the projects will have to be delayed.

132. The Committee would like to emphasize that, in carrying out its programme, the Commission has collaborated with and has had the full collaboration of other agencies, thereby ensuring a maximum utilization of resources and international funds.

133. In accordance with Council resolution 402 B (XIII), the programme of work has, as in previous years, been divided into three groups:

(a) *Continuing projects and activities of high priority* in which the responsibility of the secretariat, in accordance with the Commission's terms of reference and resolutions, is of a continuing character.

(b) *Ad hoc projects of high priority*, for which an approximate duration can be estimated.

(c) *Other projects* which, in view of budgetary or other limitations, may have to be deferred or eliminated, or undertaken in so far as resources permit.

#### ANNOTATED LIST OF PROJECTS

##### *Section I. Economic growth and technique of programming*

##### (a) *Continuing projects and activities of high priority*

##### 1. *General problems of economic development and technique of programming—Resolutions 7 (IV), 48 (V)*

(a) Continuation of the analysis of the technique of programming started in a study presented in document E/CN.12/292, with particular reference to the application of this technique.

Report will be ready for publication in September 1954. (21 and 22)\*

(b) Country studies: the method and analysis used in document E/CN.12/292 will be applied in making other country studies.

Report will be ready for publication in March 1955. (23—25)\*

##### 2. *Monetary and fiscal policies relative to the requirements of economic development—Resolutions 3 (IV), 52 (V)*

Analyses of government receipts and expenditures; special analysis of taxation and other sources of revenue;

\* Corresponding paragraph(s) in part I of this report.



and influence of government credit and fiscal policies and exchange and trade controls on consumption and investment in the various sectors of the economy.

This forms part of country studies under 1 (b) above. (21 and 26)\*

3. *Studies of economic development in individual countries—Resolutions 7 (IV), 49 (V)*

The purpose of these studies is to analyse long-term trends and problems of economic growth, with a view that these studies may be useful not only in formulating government policies but also that they may provide the basic data and materials for the application of technique of programming in the preparation of development plans.

This is combined with studies being made under 1 and 2 above. (23—25)\*

4. *Economic Integration*

(a) *Economic integration and reciprocity in Central America—Resolutions 9, 24 (IV), 50 (V)*

Work is continuing in accordance with above resolutions and resolutions of the Committee on Economic Co-operation in Central America. (66—82)\*

(b) *Preliminary investigation of problems of progressive integration of Latin-American economies—Resolution 55 (V)*

No specific study required on this resolution. (See resolution 55 (V) in document E/2405 (E/CN.12/324)).

5. *Training programme for economists—Resolutions 4 (IV), 48 (V)*

Continuation of the training programme organized for selected groups of Latin-American economists to work with ECLA economists on theoretical and practical problems of economic development and technique of programming.

Second course completed in December 1953; third course will be initiated in April 1954. (30—35)\*

6. *Technical research and training in Latin America—Resolutions 13 (IV), 53 (V)*

Extension of a study made in Chile (see E/CN.12/300) to a group of selected Latin-American countries, with particular reference to the relationship between technological research institutes and institutions for training technicians.

Work has not advanced due to lack of resources; it is planned to carry this work forward on a limited scale during 1954.

(b) *Ad hoc projects of high priority*

7. *Expert conference, including working parties, on problems of economic development and the technique of programming (with co-operation of TAA)—Resolutions 7 (IV), 48 (V)*

This conference is planned for 1955, and will bring together a group of Latin-American economists who are directly concerned with problems of economic development in their respective countries. A small number of economists from outside the region will also be invited to participate. The main subject will be the technique of programming of economic development and the role of monetary and fiscal policies, based on the work of the Commission and other international agencies, special papers prepared by participants, and the experiences of countries having development programmes. For selected aspects of the problem small working parties may be established in advance of or during the conference.

8. *Conference on monetary and fiscal policies (in co-operation with TAA and the International Monetary Fund)—Resolutions 3 (IV), 48 (V)*

This conference will bring together a small group of economists and specialists for intensive discussion of monetary and fiscal policies as instruments of economic development policy, with special reference to their bearing on the rate of economic growth. The documentation for

the meeting will be prepared mainly by the secretariats ECLA and the Fund

Studies are being prepared by the ECLA secretariat as a part of project 1 (b) above; other studies are being made by the secretariat of the Fund. This conference may be combined with project No. 7 above.

9. *Influence of taxation on private capital exports—Resolutions 3 (IV), 52 (V)*

Continuation of a study started with document E/CN.12/298 and Add.1 and 2, taking into account economic aspects of the problem as well as fiscal. Study of taxation in capital exporting countries will be followed by a series of studies in capital importing countries.

This is being undertaken in collaboration with the Fiscal Division of the Department of Economic Affairs at Headquarters. A number of country studies are in progress and will be followed by an over-all report.

10. *Transport problems—Resolution 38 (AC.16)*

Study on obstacles to and requirements for economic development.

Work on transport problems has been confined to the Central American programme; the report on Transport in Central America (E/CN.12/356) was published in September 1953. Further work in this field, particularly in South America, will depend on ability to recruit qualified staff, including Chief of the Transport Section 66—70)\*

(c) *Other projects*

11. *Economic and legal status of foreign investments in Latin America—Resolution 8 (IV)*

Final report now being revised and will be ready for publication in July 1954. (65)\*

12. *Relationship of migration to economic development—Resolution 6 (IV)*

This will be an intensive study based on a field investigation in a selected area which is in process of rapid economic growth, with particular reference to its capacity for absorption of migrants, especially from foreign countries.

Consultations have been held with TAA and other interested agencies with a view to initiating work on this project during the latter part of 1954.

13. *Study of organization and structure of capital markets in Latin America—Resolution 3 (IV)*

Project deferred.

14. *Cyclical fluctuations in Latin America (E/CN.12/190)*

Project deferred.

*Section II. Economic Problems of Agriculture (with the collaboration of FAO)*

(a) *Continuing projects and activities of high priority*

15. *Factors affecting agricultural production—Resolutions 7, 14 (IV), 61 (V)*

This series of studies was started with one made in the Central Valley of Chile using sampling methods (see E/CN.12/306) and will be followed by applying similar methods, including field investigations in specific areas, in other countries in order to develop more fully an analysis and understanding of factors which influence incentives for increasing productivity and volume production.

Work not advanced due to lack of staff resources.

16. *Agricultural development in individual countries—Resolutions 7, 14 (IV), 62 (V)*

Continuation of a series of studies begun in 1952, the purpose of which is to make known and analyse basic economic aspects of agricultural development and to provide background material for development policies and technical improvements in agriculture.

Work is being done in connexion with economic development studies in selected countries.

\* Corresponding paragraph(s) in part I of this report.

<sup>8</sup> This study was recommended by the Inter-Agency Region Co-ordination Committee on Migration (see E/CN.12/323).

17. *Agricultural credit and regional seminars*—Resolutions 14 (IV), 65 (V)

Secretariat studies on agricultural credit were made for Central American countries and were presented to the meeting of experts held in Guatemala in September-October 1952. These studies will be continued for other Latin-American countries, to be followed by regional meetings of agricultural credit experts.

Final report on Agricultural Credit in Central America will be published in March 1954.

) *Ad hoc* projects of high priority

18. *Study of coffee production and trade in relation to economic development*—Resolution 63 (V)

The study on coffee would consider especially the economic aspects of production, processing and trade which are more directly connected with the problem of economic growth. It would refer to specific producing areas utilizing not only available statistics, but also would be based on field surveys in order to obtain certain facts, especially those connected with productivity of labour, the trends in tree plantings and in production, in consumption and future capacity of the foreign markets to absorb Latin-American coffee exports. The study would be made in collaboration with FAO and other interested international agencies.

Work has not advanced due to lack of resources but consultations are being held with FAO and IA-ECOSOC on the possibility of making a comprehensive study.

19. *Investigation of agricultural statistical system and methodology in Latin America*—Resolution 64 (V)

The studies would appraise the available statistics and methodology employed by the Latin-American countries in order that ECLA and FAO might be in a better position to interpret the results of statistical analysis in the preparation of its studies of economic problems of agriculture with special reference to the problems of economic development. The results of these surveys would be referred to FAO and other agencies in order that appropriate measures might be taken to improve agricultural statistics in Latin America. The studies would be made in collaboration with FAO and IASI.

Consultations have been held with the interested agencies, but no further step has been taken.

) Other projects

20. *Study of economic and technological problems of the banana industry* (with co-operation of FAO)—Resolution 67 (V)

Project deferred.

21. *Study of production, industrialization and export markets of hard fibres* (with co-operation of FAO)—Resolution 68 (V)

Project deferred.

*Section III. Industry and mining*

2) Continuing projects and activities of high priority

22. *Iron and steel industries*—Resolutions 10 (IV), 57 (V)

(a) Studies of Latin-American steel production costs and investments;

(b) Studies of production costs, investments and incentives in the iron and steel transforming industries;

(c) Collection, analysis and dissemination of specialized statistics and technological documentation;

(d) Compilation and unification of terminology, norms and standards as applicable in the region.

Work has been confined principally to the study based on field investigation of the iron and steel transforming industries; report will be ready in December 1954. (36—41)\*

23. *Pulp and paper industries* (studies to be undertaken in co-operation with FAO)—Resolutions 10 (IV), 58 (V)

The preliminary report (E/CN.12/294) will be followed by studies listed below:

(a) Economic and technological investigation of the utilization of Latin-American tropical and sub-tropical woods for the manufacture of pulp and paper;

(b) Study of the possibilities of establishing other forest industries integrated with the manufacture of pulp and paper;

(c) Study of local and export markets for Latin-American pulp and paper, as well as for the products of the integrated forest industries;

(d) Economic and technological investigation of the possibility of utilization of sugar-cane bagasse for the manufacture of pulp and paper in Latin America.

These studies will be ready during the months from May to September 1954. (43—50)\*

24. *Studies of the heavy chemical industries*—Resolutions 10 (IV), 59 (V)

(a) Surveys of the existing industry in Latin America;

(b) Analyses of imports of chemicals and investigation of the possibility of establishing industries producing import substitutes;

(c) Availability of raw materials in the region and technical and economic problems related to their utilization.

Work has started on a preliminary study to be ready for the Sixth Session at Bogotá, Colombia, in May 1955. (51)\*

25. *Development of energy resources*—Resolutions 38 (AC.16), 60 (V)

A preliminary over-all survey of energy resources, utilization and requirements of energy has been initiated; report will be ready in March 1955. (52—54)\*

26. *Mining*—Resolution 57 (V)

Compilation of data on estimated reserves of ores of non-ferrous metals. Analysis of demand trends for non-ferrous metals, and economic and technical problems related to mining and non-ferrous metallic ores, their preparation, smelting and refining.

Work has not advanced due to lack of staff.

27. *Collection and classification of data available on non-agricultural natural resources in Latin America, and publication of inventories of resources*—Resolution 60 (V)

Work has not advanced due to lack of staff.

(b) *Ad hoc* projects of high priority

28. *Expert conference, including working parties, on iron and steel industry* (in co-operation with TAA)—Resolutions 10 (IV), 57 (V)

The conference would be attended by qualified experts from Latin America and a few experts from outside the region and might be preceded by technical working parties; on the basis of technical papers prepared by the secretariat and specialists, the conference would facilitate exchange of experience on: economics of the blast furnace as influenced by iron ore preparation, increase of temperature and pressure of blast, etc.; production of ferro-alloys; new iron ore reduction methods other than the blast furnace; influence of use of oxygen in converters and on resulting steels; norms and specifications for steels; cost structure of selected steel transforming industries.

Work has not advanced, nor has a date been set for this conference.

29. *Expert conference, including working parties, on pulp and paper industry*—Resolutions 10 (IV), 58 (V)

Meeting of experts on pulp and paper (in co-operation with TAA and FAO), to discuss problems arising from material assembled and reports prepared by the secretariat and by specialized working groups.

Preparation for the meeting to be held in September-October 1954 is well advanced. (49—51)\*

30. *Studies of possibilities of establishing processing industries utilizing domestically produced raw materials, with particular reference to expansion of inter-regional and international trade*—Resolution 46 (V)

Work has not advanced due to lack of staff.

\* Corresponding paragraph(s) in part I of this report.

- (c) Other projects
31. *Food processing industries*—Resolution 10 (IV)  
Project deferred.
  32. *Textile industry*—Resolution 11 (IV)  
Project deferred.

*Section IV. International Trade*

- (a) Continuing projects and activities of high priority
33. *Trade between Latin America and United States and Europe*—Resolutions 18 (IV), 45 (V)

Study of probable future trends of demand for primary products exported by Latin America and of changes in the composition of Latin-American imports which will affect the type of goods (especially capital goods) European and North American countries may expect to export to Latin America.

The secretariat is in consultation with the secretariat of the ECE with respect to a project on expansion of trade between Latin America and Europe, as a follow-up of *A Study of Trade between Latin America and Europe*, which was published last year. The secretariat is also planning a study of long-term trade trends and problems of Latin America with the United States, Canada and individual European countries. (62)\*

34. *Inter-Latin-American trade studies*—Resolutions 20 (IV), 69 (V)

(a) Problems of commercial policy; implications of GATT for intra-regional trade; payments and exchange controls as applied to inter-Latin-American trade; import-export controls and administrative procedures;

(b) Possibilities of increasing demand and trade within the region for Latin-American raw materials and manufactures;

(c) Problems of maritime transport in relation to inter-Latin-American trade.

Report will be ready for publication in February 1955. (63—64)\*

35. *Studies of the terms of trade and their influence on the rate of economic development*—Resolutions 18, 22 (IV), 46 (V)

The scope and character of these studies will follow the detailed recommendations contained in the resolution adopted by the fifth session.

Work on a paper on theoretical aspects of this problem is in progress. (56—58)\*

- (b) *Ad hoc* project of high priority

36. *Study of multilateral compensation settlements among Latin-American countries and between Latin-American and European countries*—Resolutions 42 (AC.16), 47 (V)

This is a continuation of a study presented to the fifth session (E/CN.12/299). It is proposed to make an exhaustive analysis of trade and payments between Latin America and Europe and among Latin-American countries.

As a result of consultations with the secretariat of the International Monetary Fund, a study on the flow of international payments of a number of Latin-American countries is being undertaken by the IMF with the collaboration of ECLA.

- (c) Other projects

37. *Tourism*—Resolution 56 (V)  
Study of means for removing obstacles to expansion of tourist trade.  
Project deferred.
38. *Study on operation of Free Zone of Colon, Panama*—Resolution 25 (IV)  
Project deferred.

*Section V. Annual "Economic Survey" and Quarterly "Economic Bulletin"*

- (a) Continuing projects and activities of high priority
39. *Annual Economic Survey of Latin America*—Resolutions 7 (IV), 44 (V)  
*The Economic Survey of Latin America, 1953* will be ready for publication in June 1954. (12—20)\*
  40. *Quarterly Economic Bulletin*—Resolution 32 (IV)  
Material is being prepared for the first issue which will appear in late 1954.

2. RESOLUTIONS ADOPTED

134. The Committee of the Whole adopted the following resolutions:

73(AC.24) Economic Integration of Central America.

74(AC.24) Co-ordination with the Inter-American Economic and Social Council.

75(AC.24) Technical Assistance Programmes.

135. The texts of these resolutions were as follows:

ECONOMIC INTEGRATION OF CENTRAL AMERICA  
*Resolution 73(AC.24) adopted 9 February 1954*  
(E/CN.12/AC.24/10)

*The Committee of the Whole of the Economic Commission for Latin America,*

*Considering*

(a) That the secretariat has submitted for the consideration of the Committee of the Whole the annual report of the Committee on Economic Co-operation in Central America which covers the work carried out from 28 August 1952 to 16 October 1953, and which was approved at the second session of the Committee in San José, Costa Rica,

(b) That in the above report notice is given of the decision of the San José session to call this body the "Committee on Economic Co-operation in Central America" instead of the "Committee for Economic Co-operation of Ministers of Economy of Central America" with a view to expanding its memberships and functions,

(c) That in the same report notice is given of certain modifications in the rules approved by the Committee,

*Takes note*

(a) Of the report submitted by the Committee on Economic Co-operation in Central America (E/CN.12/AC.24/5);

(b) Of the Technical Assistance which the United Nations, FAO, ILO, UNESCO and ICAO have been rendering to the programme of economic integration in Central America;

(c) Of the Committee's change of name and the modification of the rules, and

*Resolves*

1. To express satisfaction with the manner in which the Committee on Economic Co-operation in Central America is carrying out its work;

2. To recommend the secretariat to continue the implementation of the studies and tasks necessary for the programme of economic integration in Central America;

3. To recommend that the Technical Assistance Administration and the specialized agencies of the United Nations should continue, in co-ordination with the Committee on Economic Co-operation in Central America, to devote due attention to the projects connected with the programme of economic integration in Central America;

\* Corresponding paragraph(s) in part I of this report.

CO-ORDINATION WITH THE INTER-AMERICAN  
ECONOMIC AND SOCIAL COUNCIL

*Resolution 74(AC.24) adopted 10 February 1954  
(E/CN.12/AC.24/11)*

*The Committee of the Whole of the Economic Commission for Latin America,*

*Considering*

(a) The statement by the Executive Secretary on the steps taken with respect to co-ordination between ECLA and IA-ECOSOC at the governmental level since the 11th session (E/CN.12/AC.24/6),

(b) The joint statement on co-ordination at the secretarial level by the Executive Secretaries of IA-ECOSOC and ECLA (E/CN.12/AC.24/7),

*Notes with approval*

1. The manner in which co-ordination between ECLA and IA-ECOSOC is being implemented at the secretarial level;

2. The statement of the Executive Secretary on the steps he has taken with respect to co-ordination between ECLA and IA-ECOSOC at the governmental level and the position he has adopted in the exercise of the powers conferred upon him by the Commission.

TECHNICAL ASSISTANCE PROGRAMMES

*Resolution 75(AC.24) adopted on 10 February 1954  
(E/CN.12/AC.24/12)*

*The Committee of the Whole of the Economic Commission for Latin America,*

*Having examined*

(a) The report prepared by the secretariat of the Technical Assistance Board of the United Nations on the Expanded Programme of Technical Assistance for Economic Development (E/CN.12/AC.24/3),

(b) The report on technical assistance activities in Latin America prepared by the Technical Assistance Administration (E/CN.12/AC.24/4),

*Considering*

That it would be advisable to obtain detailed information concerning the specific results of United Nations technical assistance programmes in Latin America,

*Resolves*

To request that the Economic and Social Council should carry out a study of the results obtained with technical assistance programmes in the Latin-American countries, requesting detailed information for this purpose from the governments concerned and also their opinion and any suggestions they may wish to make for the improvement of the said programmes.

3. DRAFT RESOLUTION FOR ACTION BY THE ECONOMIC AND SOCIAL COUNCIL

*Resolution adopted 10 February 1954*

*The Committee of the Whole of the Economic Commission for Latin America*

*Decides to submit the following resolution for action by the Economic and Social Council:*

*"The Economic and Social Council*

*"Takes note of the Sixth Annual Report of the Economic Commission for Latin America;*

*"Considers that the work programme of the Commission as established at the Committee of the Whole of the Economic Commission for Latin America at its meeting held in Santiago from 8 to 10 February 1954 is of primary importance for the economic development of Latin America; and*

*"Endorses the order of priorities allocated by the Committee of the Whole to the individual work projects."*

## APPENDIX

### Statement by the Executive Secretary of the Economic Commission for Latin America to the Committee of the Whole, 8 February 1954

#### I

It is an established practice of this Commission that the head of its secretariat, departing from the usual pattern of regular reports, should present his personal views concerning those economic events which he believes should be brought to the attention of the Member Governments of this organization and of public opinion in Latin America.

I therefore request the delegations to allow me this opportunity to comment on the prospects of Latin-American economic development. The problems of economic growth occupy a prominent place in the work programme approved by the Commission. In order to deepen our understanding of them, the secretariat has been preparing analytical tools which now enable us to interpret the present situation in terms of the past, and to formulate hypotheses and projections regarding the future. A judicious examination of such projections throws considerable light on the dynamic significance of the chain of events being forged continuously before us.

#### II

I would like to spend a little more time on the inter-pretation of these developments. Events are taking place in Latin America which deserve serious consideration. The need to accelerate the rate of economic growth in order to raise the standard of living of the masses has acquired the force of an axiom; it is emergent in the statements of governments and in discussions and resolutions of international agencies. However, if we examine the facts as they appear today, there are no signs to suggest that this objective can be achieved within the near future if economic growth is left to the spontaneous force of economic forces. The acceleration of the rate of growth must be brought about by means of deliberate measures, necessitating national decisions and international co-operation, in order to surpass the rate of growth being attained by the action of these spontaneous forces alone.

This statement may appear strange to those who are justifiably impressed by the exceptionally high rate of increase of the per capita gross product in Latin America from the end of the last war until recently. Indeed, from the *Economic Survey* submitted last year to the fifth session, it is seen that during the period 1945-52, the average annual rate of growth of the per capita gross product was 3.2 per cent. This was considerably higher than any recorded since the world crisis and exceeds the 2 per cent which for a long period has characterized the increase of per capita gross product in the United States.

However, in the same *Economic Survey*, emphasis was laid on the transitory nature of the factors which brought about this phenomenon, among which it is necessary to consider, firstly, the improvement in the terms of trade and the consequent strengthening of the purchasing power of Latin-American exports. This caused a more rapid expansion of the gross product than of output, which, in turn, was stimulated by substantial capital in-

vestment. It was precisely this improvement in the terms of trade which made it possible to increase the coefficient of investment—in relation to gross product—without detriment to consumption. On the contrary, consumption was able to expand more rapidly than output as a result of this and other favourable events analysed in the *Survey*.

This phase of economic development in Latin America seems to have ended. The coefficient of gross investment, comprising both new capital and the maintenance and replacement of existing capital, after approaching 18 per cent in previous years, has once more dropped to about 13.5 per cent, or approximately to the level obtaining at the beginning of this exceptional period and during the five-year period prior to the world crisis of the thirties.

Delegates will perceive the significance of this fact. The deep-rooted forces in Latin-American economies which determine the relatively slow rate of growth are again prevailing—relatively slow when one considers the low level of present per capita gross product and the pressing need to narrow the gap between it and the per capita gross product in other more highly-developed parts of the world.

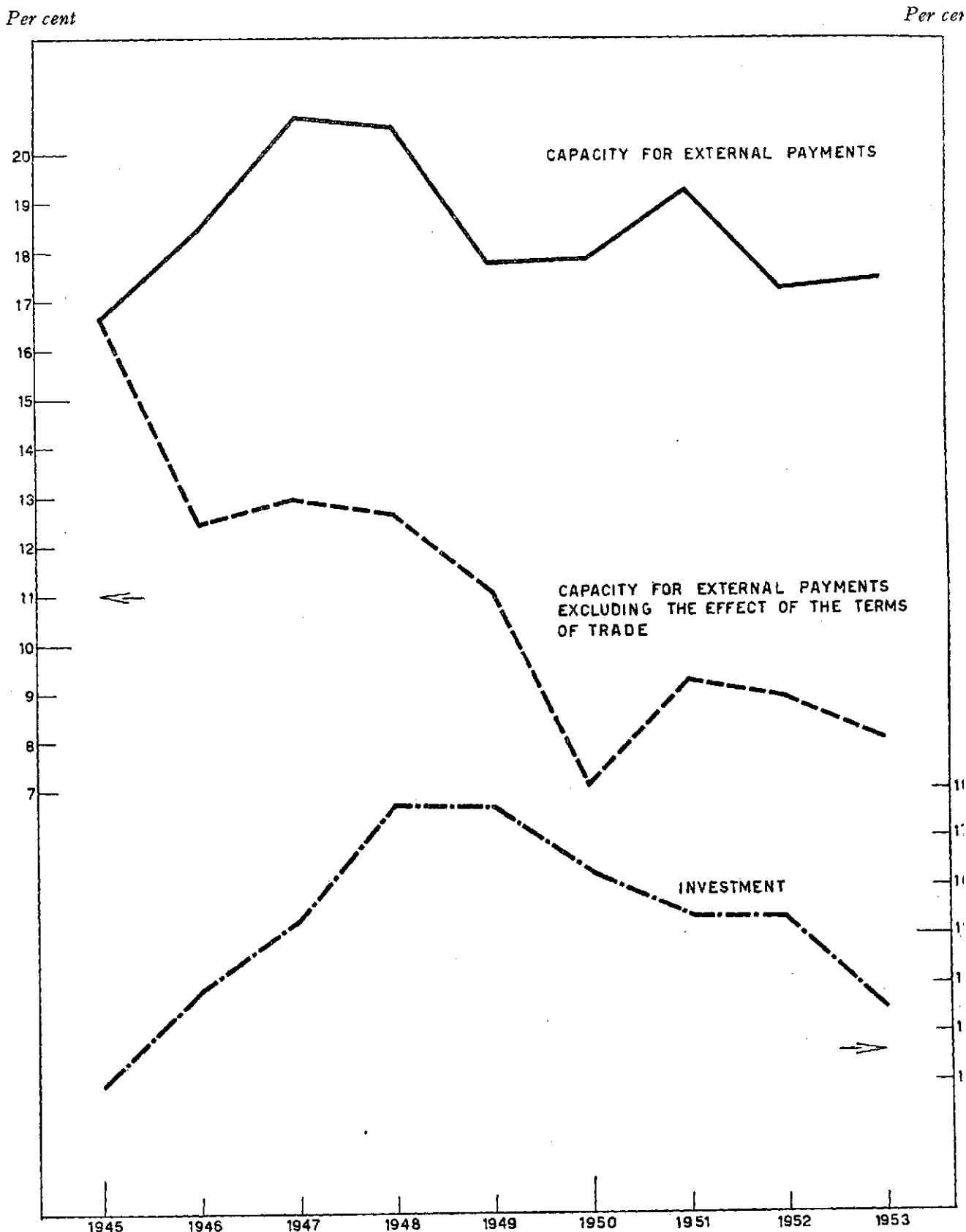
This gross coefficient of investments of 13.5 per cent would only allow for an expansion of the per capita gross product of about 1 per cent annually, as compared with the rate of 3.2 per cent observed during the exceptional period 1945-52, if the population continued to increase at the rate of 2.4 per cent and there were no further improvement in the terms of trade.

#### III

It is therefore evident that, with a moderate coefficient of gross investment, such as 13.5 per cent, Latin America cannot accelerate its rate of development. To do so, and to recover the rate which it would appear to have lost, a coefficient of approximately 20 per cent would be required; that is to say about one-fifth of the volume of goods and services which make up the gross product would have to be used each year for the acquisition of new capital goods and the renewal of existing capital.

An investment coefficient of this magnitude would appear practically impossible to achieve with only the resources of our countries in the present political and social picture. It is not because the favourable effects of the improvement in the terms of trade have disappeared: the figure for 1953 as compared with that of 1945 still represented around 9 per cent of the gross product in Latin America, although there were substantial differences between the various countries. However, an appreciable part of the increment to the product so obtained has been absorbed by the expansion of consumption. It would not be possible to achieve the desired coefficient of investment without losing ground and deliberately sacrificing consumption for a time. This—apart from being undesirable and impracticable in the present situation referred to—would greatly reduce the incentives to increase private investment.

Chart I  
 LATIN AMERICA  
 CAPACITY FOR EXTERNAL PAYMENTS AND INVESTMENT IN  
 RELATION TO THE GROSS PRODUCT  
 1945 — 1953



Economic Commission for Latin America, United Nations

#### IV

However, this is not the only obstacle. There is another, which consists in our limited capacity for external payments—a subject of such importance that it warrants the attention of the delegates for a moment. For the sake of clarity I refer to the accompanying chart (I). The upper curve represents Latin America's capacity for external payments in relation to the gross product. This capacity derived mainly from exports, since the net inflow of capital has been relatively small. It may be seen that the curve rose during the early post-war years, subsequently falling and rising as a result of the repercussions of hostilities in Korea. Finally it falls once more to a level which tends to approximate that at the beginning of the period.

By comparing this curve of the capacity for external payments with the investment coefficient, it will be observed that there is a close relationship between them. The coefficient of investment rises (although with a certain time-lag which can easily be explained) when the capacity for external payments expands; similarly, when contracts, there is also a notable reduction in capital investment.

One of the main reasons for this relationship lies in a well-known fact, namely the large proportion of capital goods which must necessarily be imported. In fact, about one-third of these goods is of foreign origin.

#### V

Here we find one of the most powerful obstacles to Latin-American economic development. The growth of the gross product places a constant strain upon the capacity for external payments, with only brief intervals of relief. In the present case, this tendency has some very serious aspects, since the quantum of Latin-American exports has barely increased since the beginning of the post-war period. Thus, had there been no improvement in the terms of trade, the coefficient of the capacity for external payments would have declined sharply, as shown in the other curve of the chart.

I do not wish to disguise the seriousness of these facts. Latin America's capacity for external payments is based on shifting sands. The terms of trade have always been extremely unstable and there are many symptoms of deterioration. Cotton, wheat and metals have declined and if the global index of Latin-American exports still shows favourable terms of trade from the statistical standpoint, this is due principally to coffee and petroleum. A severe restriction of the capacity for external payments would have very disturbing consequences for Latin America's economy.

#### VI

Speaking of coffee, allow me to make a brief digression. Consumers are somewhat concerned at the recent rise in coffee prices and their reaction is understandable. There does not appear to be anything arbitrary or inexplicable in this situation. After the catastrophic collapse of prices during the thirties, Brazil abandoned a considerable area of its plantations. There was thus a process of disinvestment, lasting many years, for, during the war—and even more recently—emergency measures taken in the principal consumer market discouraged coffee growers. Here is another very illustrative chart (II). The first curve shows the relationship between coffee prices and the price of Brazilian imports, since the beginning of this century. It is seen how sharply the purchasing power of coffee was reduced during the thirties,

and how this disastrous situation continued to affect producers until the end of the forties. It was at this time that the disinvestment process in coffee plantations had its most serious effect, and the exceptionally low volume of production, as compared with the expansion of the world demand for coffee, caused a rapid increase of prices, bringing about a notable improvement in the purchasing power of the product. This rise was recently accentuated by the frosts which caused so much damage to Brazilian coffee plantations. The coffee market is free; there are no monopolies or limitations to competition. What is happening now has already happened on other occasions. This fact can be verified by looking back over the chart. The present high purchasing power of coffee resembles that experienced during the middle twenties, soon after the First World War. The situation was transitory then and it would be hazardous to estimate how long the present position will last. However, the duration of this high purchasing power is undoubtedly very brief when compared with the long period of depression.

One of the results of these adverse periods from which producing countries are now recovering is that consumers have become accustomed to an abnormally low price for this product. One example suffices.

It can be observed, from the second curve of the chart, how the proportion of their income which United States consumers allocate for coffee, declined sharply during periods of low coffee prices. Now the proportion is rising again and is approximately the position existing prior to the world crisis. Too long a time has passed for consumers to recall these events, and it is precisely in this period that producers have suffered losses.

It is my belief that events of this nature should be studied from a broad viewpoint, without taking into account circumstantial or sporadic factors unless this conduces to economic measures which temper the instability of the market and attenuate the damage suffered alternately by both parties concerned.

#### VII

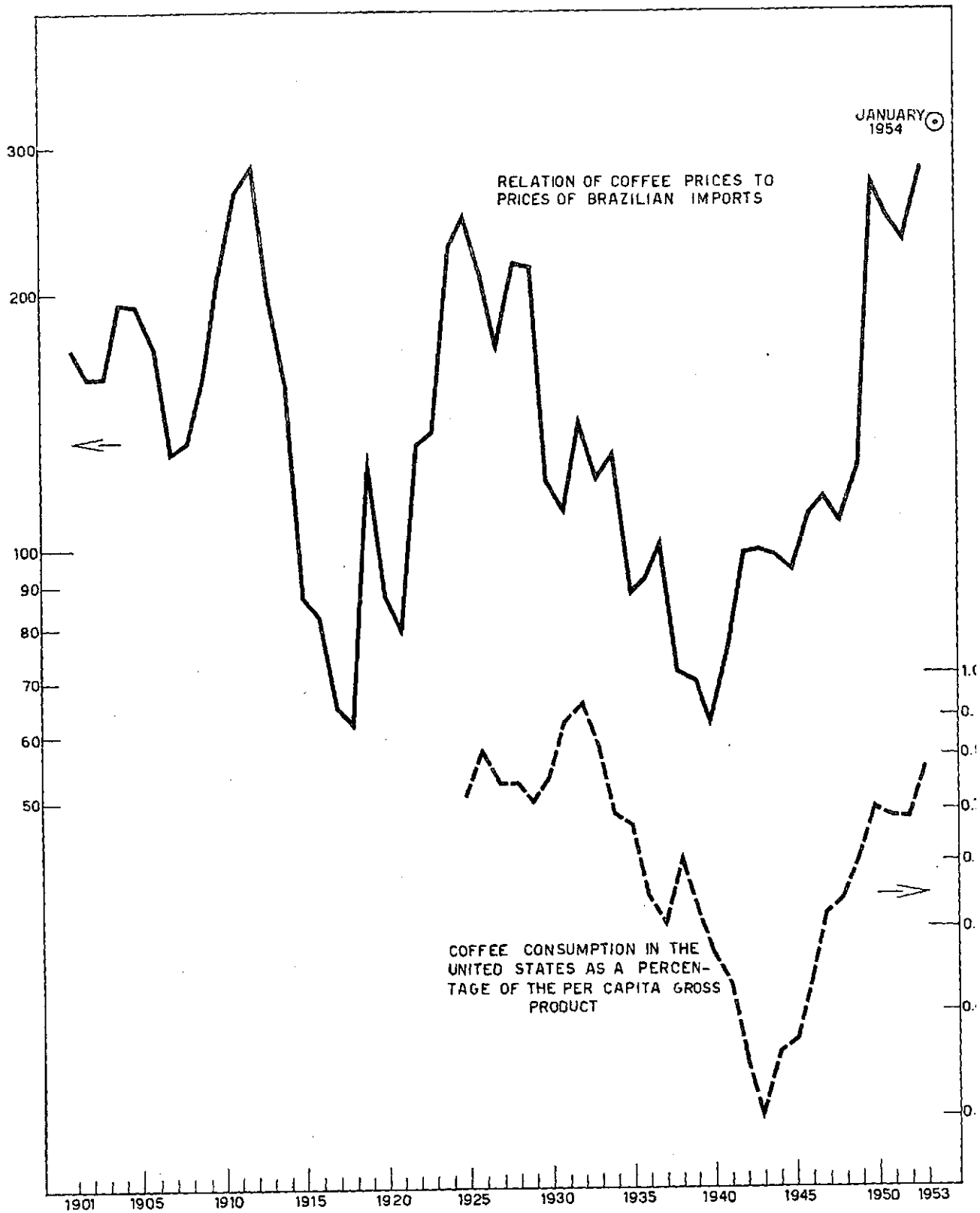
This instability is one of the factors which have contributed most to the discouragement of Latin-American exports. Other factors which have also played a part since the post-war period, are rates of exchange for exports which bear no relation to the rise in internal costs, the policy of low prices, and inflationary absorption by domestic consumption of production which ought to have been exported. A reaction against all this is now taking place. But in general high hopes should not be entertained for the growth of Latin-American exports. Except for short periods of upswing, there is no sign that the future trend of exports will differ from that of the past, when they tended to increase at a lower rate than the gross product, contributing toward those periodic foreign exchange crises from which Latin America suffers so notably.

A far-sighted policy for changing the composition of imports and substituting domestic production for that part of imports which exceeds the capacity for foreign payments, is doubtless the most effective means of attenuating or forestalling these recurring periods of disequilibrium which the expansion of the gross product tends to bring about. Nevertheless, this increase will always be limited by the investment coefficient. I have already said that this coefficient had dropped to a level scarcely sufficient to raise the per capita gross product by about 1 per cent yearly. I have also pointed out that without sacri-

Chart II  
COFFEE

Indices 1937 = 100

Per cent



Economic Commission for Latin America, United Nations



ing present consumption it would not be possible to improve the investment coefficient. Hence, if the rate of increase is to be accelerated, foreign capital is indispensable, at least until the increment thus achieved in gross product can bring about domestic saving equivalent to the heavy investment required for this acceleration. All this has been fully discussed in the report on Technique of Programming Economic Development, presented to the Quitandinha session.

In this connexion, the present indications should not lead us to complacency. Latin-American economic development requires considerable international capital for inductive investment, and the sum invested at present is insufficient. The speeding up of development cannot be achieved by means of financial homoeopathy. Private investment from the United States, which in 1952 reached a net figure of about 250 million dollars, apparently declined to less than half that sum in 1953, according to provisional estimates. Net loans from the Eximbank and the International Bank for development purposes in 1953 only represented a little more than 100 million dollars, if operations to liquidate commercial credits are excluded.

### VIII

This is a very delicate subject in which there is often risk of reaching superficial conclusions. However, we must not shut our eyes to the difficulties in the way of both countries which need capital and those which could supply it; yet it is undeniable that the system is not operating effectively.

Although I am not going to deal with this problem here, I should just like to consider what is certainly one of its very important aspects. Private enterprise plays a fundamental role in Latin-American development and without its vigorous impulse any acceleration in the rate of development is inconceivable. However, the process is very different from the first stage of the outward development of the Latin-American economy, which preceded until the First World War. Foreign private capital investments made by entrepreneurs abroad served the purpose of expanding exports, and in the increase of the latter it was easy to find resources for servicing investments. It was a period of great expansion in the world. The Latin-American entrepreneur did not yet exist, and, even if he had existed, he probably would not have been able to adapt himself to an international market which the foreign entrepreneur operated freely. The present picture is very different. There is a surge of progressive industrialization of the Latin-American economy, especially for the domestic market, coincident with an extension of technical improvements in agriculture, while the domestic entrepreneur has shown his ability to take advantage of the steady expansion of this market, provided he has the necessary incentives. But he requires international capital and improved techniques.

When the need for promoting private and free enterprise in our economic development is stressed, I call to mind the powerful image of this Latin-American entrepreneur or of a foreign entrepreneur who has been intimately integrated in the Latin-American economy. It is necessary to give this entrepreneur ready access to international capital and technique. If when associating the concept of foreign investment with that of private enterprise—as frequently happens—it is desired to strengthen confidence in the dynamic force of the present economic system, there is no doubt that access to the Latin-American entrepreneur to the sources of international capital and techniques would prove to be

of fundamental importance in consolidating this system throughout Latin America.

This obviously does not exclude direct foreign investment by foreign entrepreneurs, above all when it leads to the application of new techniques of production or new products. But there are many reasons for supposing that the scope is limited. Furthermore, if such investments took on great impetus the relatively substantial profits essential to attract the foreign private entrepreneur would be a serious burden on Latin America's capacity for foreign payments which no longer increases at the rate it did during the first stage of the economic growth of our countries. The burden of financial services would of course be much lighter if the capital were loaned to Latin-American entrepreneurs and a large proportion of the profits were retained in the countries in process of development. On the other hand, I do not think that it can be of major interest to the economy of the United States to obtain profits from abroad which would only constitute a minute fraction of the country's total gross product. This again differs from the stage of outward development which took place under the aegis of Great Britain.

For these reasons and for others which it is not necessary to include here, I do not think it advisable to seek the solution of the investment problem through outworn formulae which are no longer compatible with present conditions. I am sure that the Latin-American governments, with experience and clear judgment, will be able to contribute to the formulation of new solutions to promote private enterprise, as well as their own basic investments, particularly if they show their ability to take full advantage of their participation in the international organizations.

### IX

It is well known that one of the obstacles to foreign investment lies in inflation and the consequent restrictions and controls which so greatly affect private enterprise. It therefore seems logical to maintain the principle that a prerequisite for an inflow of capital is the ending of inflation. This, however, constitutes an oversimplification of a very complex problem. The inflation of costs—which tends to become general—renders the simple application of traditional financial and monetary procedures impracticable. In cost inflation, when one sector of the community obtains an increase of its remunerations or social benefits without there being a parallel expansion of productivity, the burden of that increase is transferred to other sectors by the rise in prices. When these sectors react, securing improvements for themselves, the burden is once again transferred and redistributed, affecting, among others, those who originally benefited and who, in their turn, give an impetus to a new upward movement; and so on successively. In this way inflation acquires considerable force and is extremely difficult to check. The sectors which, at a given moment, gain an advantage over the others, expect to increase this advantage, while those which suffer a disadvantage hope to recover what they have lost. For this reason all sectors resist stabilizing measures, and the entrepreneurs tend to join in this resistance, deceived by the illusion of greater nominal profits. The struggle against the inflation of costs therefore requires united effort and sacrifice which it is difficult—though not impossible—to achieve in practice, as shown by the efforts made by some countries which, if they succeed, might provide a sound and inspiring example.

I am convinced that this formidable resistance to an anti-inflationary policy could in great measure be relieved by a programme of expansion of investment. This, while contributing to the absorption of the unemployment generally involved in an anti-inflationary policy, would permit our countries to make the most of their great opportunities for rapidly increasing their productivity, enabling their economies gradually to absorb expansionary pressures which at present are continually translated into inflation. But this would not be feasible without much greater foreign investments than those to which we have been accustomed.

I am thereby inclined to believe that to wait until inflation is arrested before effecting foreign loans would imply contributing to the indefinite continuance of this inflationary process. This attitude is as negative as that which aims at attracting foreign capital without deciding upon the application of anti-inflationary measures. The one cannot precede the other. Foreign loans and such anti-inflationary measures must be simultaneously combined in a well-planned programme of economic development.

#### X

National effort plays the leading role in programmes of economic development; foreign resources can only play a supplementary role. It is therefore essential that Latin-American countries should clearly establish their objectives for development in terms of their possibilities. Hence, the great importance of the technique of programming, which was fully recognized at the fifth session at Quitandinha.

We have continued to work actively in this field and hope to present to the Conference in Bogotá next year

reports of a more substantive and practical value. The formulation of the methods of analysis which enable us to determine more accurately the nature of the obstacles which hamper development, to estimate their magnitude and to examine alternative means for overcoming them is an essential part of this work.

Meanwhile, I have thought it advisable to comment on some of these obstacles to Latin-American development, in the hope that delegates will understand why we have taken advantage of this opportunity to examine them. New attempts are being made to find concrete formulae for measures of international economic cooperation; that is, to establish a practical policy of economic development. In referring to the relatively slow rate of Latin-American growth, if only spontaneous economic forces are allowed to operate, it was not my intention to introduce at this meeting factors of pessimism or anxiety. Rather I have aimed to encourage the immediate formulation of a development policy and ensure that this Commission shall contribute increasingly to it by the authority of its debates and resolutions.

#### XI

Delegates now have for their consideration the report by means of which the secretariat gives account to the Member Governments of the work entrusted to ECLA in relation both to development and other problems. All of the secretariat are aware of the honour and the responsibilities conferred upon us, and we are anxious to receive the suggestions and guidance which delegates may propose. It is in this receptive spirit that I conclude these remarks, thanking you for the kind attention you have given me.

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