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Eighth Session  
Panama City, Panama, 14 May 1959

Committee II

ECONOMIC SECTORS AND TRENDS

Rapporteur's report

Committee II, which was entrusted with the study of the sectors and trends of the Latin American economy, was set up on 18 May 1959, pursuant to the resolution adopted at the first plenary meeting of the Economic Commission for Latin America. Mr. Arnaldo T. Musich (Argentina), Mr. F. de Castro (Netherlands) and Mr. G.G. Simpson (United Kingdom) were elected Chairman, Vice-Chairman and Rapporteur, respectively. The Committee held five meetings on 18, 19, 20 and 21 May, which were attended by representatives of Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, France, Guatemala, Honduras, Mexico. The Netherlands, Panama, Peru, the United Kingdom of Great Britain and Northern Ireland, the United States of America, Uruguay and Venezuela. Observers from the United Nations Food and Agriculture Organization (FAO) and the International Atomic Energy Agency (IAEA) were also present.

The topics with which Committee II had to deal can be summed up as follows:

1. Economic problems of agriculture: agenda item 11 (E/CN.12/516/Add.1/Rev.1);
2. Industrial development: agenda item 9; and
3. Energy and water resources: agenda item 10.

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The Committee unanimously adopted nine draft resolutions on the subjects covered by its terms of reference, with a view to submitting them to the plenary meeting of the Economic Commission for its consideration, together with the Rapporteur's report. These resolutions are annexed to the present report, of which they constitute an integral part. They are the outcome of intensive work in which all the delegations represented took part. In the course of the proceedings attention was devoted to a great many questions bearing on agriculture, industry, energy, and water and forest resources in Latin America, and the work of the Joint ECLA/FAO Programme was discussed. In addition, many representatives contributed well-informed statements on the experience accumulated in their several countries in respect of each of the subjects under discussion. Mention must be made of the unfailingly high level of the discussions and the spirit of friendly co-operation which characterized the attitude of all members of this Committee.

1. Economic problems of agriculture

Among the many important matters which claimed the attention of the Committee, stress must be laid on the causes and effects of the slow growth of the supply of agricultural commodities in Latin America. The Committee reviewed the current situation with respect to agriculture in various countries and agreed that, with few exceptions, Latin American agriculture had been unable in recent years to expand at a rate commensurate with the increase in demand for foodstuffs and raw materials due to the growth of  
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the population and of income. The growing internal demand for such goods meant that more resources had to be allocated to production for domestic consumption, and an increasing proportion of basic or traditional export commodities had to be retained in the region. What was more, it had been essential for imports of foodstuffs to be considerably increased in order to prevent a deterioration of nutritional levels, already intrinsically low for large sectors of the community. In this field, the Committee took note of the statistics supplied by the secretariat. The quantum of agricultural exports (at 1950 prices) had declined from 36 dollars per capita in the pre-war period to 23 dollars in 1955-57. On the other hand, it had been necessary to raise the per capita quantum of imports from 4 to 6 dollars during the same interval. Fortunately, during the ten years immediately following the war the effect of so sharp a drop in foreign trade balances resulting from the exchange of agricultural commodities had not affected the capacity to import as seriously as might logically have been expected had prices remained at the same level. An improvement of as much as 28 per cent in the terms of trade had limited the reduction in the purchasing power of net per capita exports to a mere 14 per cent, at a time when the quantum fell by over 40 per cent. However, this situation had undergone a marked change for the worse since 1957, in consequence of the sharp decline in prices for certain staple export items, such as coffee and cotton, and gave rise to profound concern for the future.

In the view of several representatives, while it was true that in recent years the efficiency of some sectors of Latin American agriculture had improved

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at a more rapid rate than in previous periods; it was undeniable that average productivity was still poor in many countries and that, as a consequence, low income levels prevailed for those whose principal activity was connected with agriculture. Under such conditions it was impossible for the agricultural sector of the economy to enact its proper role as an important consumer market for industrial products and even as a market for agricultural commodities themselves.

The Committee agreed that in some countries one of the main causes of the slow development of agriculture was to be found in the existence of institutions which were already outmoded in the organization of a modern economy, and in other difficulties which suggested the need for improvement of land tenure systems and of the distribution of rural income, so that, among other benefits, agriculture might be capable of furthering a much more rapid process of industrialization than hitherto. Some representatives voiced the opinion that the supreme importance of the land redistribution question and the complexity of the issues involved called for carefully-considered and methodical action. In every interested area or country, the course followed in each case should be the result of previous study and a wise and well-thought-out practical programme, adapted to the special agricultural and social circumstances of the environment. Otherwise, the best-intentioned land reform might lead to maladjustments and critical situations the consequences of which might be serious.

The Committee referred to the low level of capital formation and to the need for introducing more progressive methods in many branches of

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agriculture, especially those producing for the domestic market, which were as a rule the least developed. Even though research work had resulted in the discovery of solutions for many of the technical problems of agriculture and in the establishment of the best methods of increasing productivity, these had not been made fully known to farmers or were

ignored, because of the low standard of education of rural workers, the lack of incentives to production, shortage of capital, or the alternative investment priorities of farmers especially in countries where inflation had reached a very advanced stage. The Committee took note of the efforts made under the technical assistance programme of FAO and by bilateral organizations to assist in overcoming these difficulties, but it was patent that the situation could not improve to any considerable extent unless Government action itself were intensified.

The Committee took note of the Report of the Latin American Centre on substitution policies and price stabilization for agricultural commodities and foodstuffs. The Centre, which had been convened by FAO and held in Santiago (Chile) in February 1959, with the co-operation of ECLA, had considered that in the conditions prevailing in Latin America, measures affecting commodity prices should be supplemented by others designed to raise the farmer's net income by reducing production costs and increasing the productivity of agriculture. The Centre had made special reference to three types of indirect methods of support, namely, subsidies to the

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factors of production, credit and crop insurance. Consideration had also been given to the application of fiscal measures (which, by adjusting the incidence of taxation, might permit the provision of greater incentives to the farmer), and the effect of satisfactory marketing systems. The Committee agreed that countries should devote special attention to such measures, since they would serve to remove some of the obstacles to agricultural development.

In referring to the remarks contained in document E/CN.12/499 on the possible effects of agricultural surplus disposal on the projected Latin American common market, the representative of the United States of America declared that the United States was taking great care to avoid any risk of unfavourable repercussions either on prices or on the balance between internal and export markets. The situation in the recipient country was thoroughly analysed and action was taken on the basis of prior consultation with other suppliers. Sales were effected solely at the request of interested countries and the funds therefrom were invested in the economic development of the countries concerned.

The Committee examined the situation as regards forest resources and the trade in wood products, noting with concern the contrast between the abundant resources of the region and the steady and increasing imports of forest products. It also heard a report from the representative of FAO on the growing demand for timber in Western Europe which that area would be unable to satisfy itself. The representatives agreed that the prompt and efficient utilization of the Latin American forests might make an important contribution to the region's economic development, to trade both within the region and with other parts of the world, and to the improvement of the standard of living of the population, and recognize that such utilization necessarily entailed an analysis and evaluation of forest potential, a study of current consumption and a projection of the region's probable future requirements in respect of forest products.

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Lastly, the Committee took note with satisfaction of the joint ECLA/FAO work programme, and recommended to the two organizations that they should continue the activities in question. Several delegations expressed the desire that special attention should be accorded to the study on stock farming which the secretariat had been requested to undertake according to resolution 9 (VI) and, in general, that an attempt should be made to study problems thoroughly and to make positive recommendations with the object of devising ways and means of accelerating Latin America's agricultural development.

## 2. Industrial development

Broadly speaking, the work of the Committee was focused on the need for an even more rapid process of industrialization, with the object of maintaining a rate of economic development at least equal to that registered in the past, and on the pressing necessity to devise and apply appropriate measures to this end.

The Committee discussed at length the fact that the industrial development of many Latin American countries encountered obstacles deriving from institutional structures which were outmoded or at least ill-adapted to as rapid a rate of development as was required. Some countries had made greater progress than others in the removal of these obstacles, but as a rule no comparative information was available on the means adopted and the results obtained. This was especially true of the institutional systems affecting investment in industrial enterprises, of the creation of incentives by means of legislation or the action of development institutions, and of the regulations, principles and patterns governing the use of patents, the establishment of customs tariffs for industrial products and their raw materials, distribution channels for manufactured goods, and, in short, all the factors that influenced the growth of industry, the rapidity of the import substitution process, the promotion of market expansion and the training of technicians. The Committee unanimously agreed that besides the technical and economic studies which it had carried out, ECLA should undertake, in so far as its resources permitted, those dealing precisely with the factors that encouraged or hampered industrial development.

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The Committee attached great importance to increased co-ordination, at regional level, of each individual country's efforts in the direction of industrialization. Thus, for example, reference was made to the need for avoiding duplication in projects relating to certain industries which required substantial investment and for which the individual country markets were still relatively narrow in comparison with the dimensions that would be essential from the economic standpoint. Examples cited included the basic industries, especially the petrochemical and iron and steel industries, and it was recommended that meetings of experts in the fields of production concerned should be convened so that the development programmes of their countries might be considered from the over-all standpoint and suggestions might be put forward as to the possibility of reaching a certain degree of specialization. In connexion with this topic of regional co-operation, the Committee considered that the work of the Pulp and Paper Advisory Group, jointly constituted by ECLA, FAO and the Bureau of Technical Assistance Operations, had very satisfactorily served its ultimate purpose of co-ordinating the efforts of Government services, development institutions and industrialists in several countries, in order to draw up programmes for a pulp and paper industry on sounder lines from the regional point of view. Another case in point was that of the Meeting on Railway Equipment held recently at Córdoba (Argentina), which constituted a first attempt at promoting agreement between manufacturers and consumers from different countries, with a view to the co-ordination of requirements and production capacity in an endeavour to encourage rational trade in the products concerned

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It was also taken into account that even at the national level there was need for compatibility in the development of industries, particularly in the case of those producing and consuming one and the same raw material. The most important examples cited were the metallurgical and the metal or other transforming industries. As it was thought that many future decisions in regard to such industries might later be considered at Government level - as in the case of the establishment of standards of quality or the standardization of rolled or non-current steels and of railroad equipment -, it was proposed that a committee on the basic metal and metal transforming industries be set up, primarily to promote the development of such industries and supplement similar efforts by manufacturing firms, through their own institutions, especially the Latin American Iron and Steel Institute (Instituto Latinoamericano del Hierro y el Acero), which was soon to be established. Since many of the delegations did not feel that they were authorized to support so important a decision as that represented by the setting-up of the committee, it was suggested that the question might be left pending until the Governments had received fuller information concerning the functions and terms of reference of such a body and the implications of its establishment. The secretariat, for its part, offered to provide the Governments subsequently with the requisite information and to submit the idea for discussion at another session of the Commission in the near future, for example, at the Committee of the Whole in 1960.

With respect to the development of a better-balanced industrial sector, it was pointed out that the metal transforming industries were relatively very

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complex; and it was therefore necessary to have as many data as possible on which to base the determination of priorities and of the type of development programme that would be most conducive to structural equilibrium and high productivity. It was unanimously agreed that such information might be obtained by the secretariat through the medium of studies in which the economic and technical aspects of the metal transforming industries should be considered in relation to the conditions prevailing in different countries.

Lastly, the Committee discussed the importance of the administrative aspects of industrial development. Mention was made of the experience acquired by certain countries in connexion with the rapid improvement of administration and the training of skilled labour. It was pointed out that it would be valuable for each country to know what the others were doing in that respect, so that mistakes might be avoided and advantage taken of previous efforts. At the stage of industrial development now attained by Latin America, the lack of an entrepreneurial class capable of tackling new undertakings and introducing new techniques was liable to act as a brake on development.

3. Energy and water resources

The Committee attached the greatest importance to the discussion of these topics, inasmuch as it considered them to be of vital significance for the economic development of Latin America. The discussion was focused on the following two main points: (a) survey of the possibilities of developing the pacific uses of atomic energy and (b) evaluation and utilization of water resources.

(a) Peaceful uses of atomic energy

The Committee noted with satisfaction that in the course of 1958 the International Atomic Energy Agency had undertaken, at the request of the Government of Brazil, a preliminary study to evaluate, from the technical standpoint, the need to set up regional centres in Latin America for the training of specialists in the peaceful uses of atomic energy. The group of experts considered that it would be necessary to train approximately 150 specialists in Latin America every year. Broadly speaking, the centres established to cover these requirements might be of two kinds, namely, institutes specializing in applications of nuclear energy in particular fields and the so-called integrated centres of broader scope.

It was pointed out that alongside the increasing need for studies on the possibility of applying atomic energy in Latin America and on professional training with this end in view, institutions engaged in such research, although on a limited scale, already existed in certain countries. Thus, in Mexico there was a National Nuclear Energy Council (Consejo Nacional de Energía Nuclear) and the University of Mexico was

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also carrying out work in the same field. The University of Panama, for its part, had initiated research in connexion with the uses of nuclear energy, and other countries were doing or proposing to do likewise.

It was explained in the course of discussion that, pursuant to a recommendation of the Inter-American Committee of Presidential Representatives, a project was afoot for the establishment of a centre to promote the pacific uses of atomic energy in Latin America, which would be in a position to render technical assistance to countries in branches that included the training of personnel. Again, the United Kingdom, which was already working in close collaboration with the International Atomic Energy Agency, awarded, under its programmes, fellowships for training and higher professional studies in this field, and would be able to co-operate in whatever work might be carried out in Latin America. Other countries which had made substantial progress in the pacific uses of energy and the training of qualified personnel, such as France and the United States, would also be in a position to participate and collaborate in the Latin American countries' programmes.

On the basis of the considerations reviewed and of the acknowledged need to promote the use of atomic energy in such sectors as radio-botany and, in general, agriculture, industry and others, the Committee decided to recommend to Governments that they should develop and encourage the study of problems connected with the pacific uses of atomic energy, and that, to this end, support should be given to the work begun by the

IAEA in Latin America, so that it might be pursued in co-ordination with the future activities of the proposed Inter-American Atomic Energy Commission (Comisión Interamericana de Energía Atómica). It was also felt to be highly desirable that the Governments, in so far as possible, should establish programmes for the training of personnel specializing in the aforementioned aspects of the utilization of nuclear energy.

In this connexion draft resolution E/CN.12/AC.43/8 was approved.

(b) Water resources

The Committee devoted full consideration to the difficulties created in the Latin American countries by the increasing need for water resources for different purposes, in combination with the extremely limited use which had hitherto been made, on the whole, of available resources. The magnitude of these latter was itself little known, and in several countries at least no assessments of the economically utilizable potential existed. In the case of the resources available for the generation of electricity, Latin America had been estimated to possess a potential of 120 million kW, of which only about 5 per cent had hitherto been turned to account.

It was felt that the problem to which the Committee's attention had been called included two main aspects in relation to which action might be taken by the countries of the region. One of these was the lack of information on existing water resources, and the other the shortage of technicians. These two factors, inter alia, had led to inefficient utilization of water potential, from the point of view of its possible alternative uses. In other words, the question of the utilization

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of resources and the pertinent research called for an integrated approach embracing not only the assessment of such resources in quantitative terms, but also the co-ordinated study of their multiple uses in relation to specific river basins or potentials.

The problem in question had not been neglected by ECLA. During the period 1957-59 a joint group composed of experts from ECLA, the United Nations Technical Assistance Administration and the World Meteorological Organization had been carrying out preliminary research on existing resources and their utilization. Two types of research had been conducted. The first consisted in general studies for the whole of Latin America, presenting, in so far as it had been possible to form estimates on the basis of existing knowledge, an over-all picture of hydroelectric potential, of irrigated areas and of the administrative and institutional problems affecting the utilization of the potential in question; while the second took the form of more detailed studies of specific countries or areas.

Lastly, it was pointed out that the ECLA secretariat was planning to hold a Latin American seminar on electrification in the course of 1960, with a view to the definition and thorough study of the most important aspects of electricity development and the proposal of measures calculated to promote such development.

The Committee considered it highly desirable that the studies on water resources begun by the secretariat and other international agencies should be continued, and, furthermore, agreed to request the secretariat

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to explore the possibility of creating a Latin American centre for the programming of hydroelectric projects on the basis of the integral development of resources. At the same time it would serve as a training centre for technicians, and would make every effort to secure the co-operation of the Latin American countries and of the international agencies offering technical assistance in the field concerned. The resolutions indicated appear as draft resolutions E/CN.12/AG.48/7 and E/CN.12/AG.48/9.