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Tenth Session

Mar del Plata, Argentina, 6 to 18 May 1963

PROVISIONAL SUMMARY RECORD OF THE 87th MEETING

Held at Mar del Plata, Argentina,

on 6 May 1963, at 3.45 p.m.

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Note: Delegations wishing to submit corrigenda to their statements in this summary record for inclusion in the final version are requested to make their corrections on a mimeographed copy of the record. The corrected copy should reach Miss Juanita Eyzaguirre (Conference Officer), Room 102, not later than forty-eight hours after distribution.

PRESENT:

Chairmen:

Mr. ESCOBAR Chile

later,

Mr. MENDEZ DELFINO Argentina

Members:

Mr. TISCORNIA Argentina

Mr. GANDARILLAS Bolivia

Mr. TAVORA Brazil

Mr. SUMMERS Canada

Mr. ESCOBAR)
Mr. SILVA) Chile

Mr. NARVAEZ Colombia

Mr. GARCIA VALLS Cuba

Mr. CESTERO Dominican Republic

Mr. PEÑA El Salvador

Mr. LISETTE France

Mr. PALACIOS Guatemala

Mr. CALIX MONCADA Honduras

Mr. BROWN Jamaica

Mr. ZUIVERLOON Kingdom of The Netherlands

Mr. GARCIA REYNOSO Mexico

Mr. SANABRIA Paraguay

Mr. VALDIVIA Peru

Sir GEORGE MIDDLETON United Kingdom of Great
Britain and Northern
Ireland

Mr. MARTIN United States of America

Mr. MALDINI Uruguay

Mr. PEREZ LA SALVIA Venezuela

/Also present:

Also present:

Mr. HANSEN

Chairman of The Preparatory
Committee of the United
Nations Conference on Trade
and DevelopmentObservers from States Members
of the United Nations not
members of the Commission:

Mr. HOELLER	Austria
Mr. STYFERT	Belgium
Mr. SPAS	Bulgaria
Mr. PIROCH	Czechoslovakia
Mr. KUPPES	Hungary
Mr. TOPPANI	Italy
Mr. TANI	Japan
Mr. ROMMEL	Poland
Mr. BASSOLS	Spain
Mr. MARTENSON	Sweden
Mr. KOSBAREV	Union of Soviet Socialist Republics
Mr. LATINOVIC	Yugoslavia

Observers from States not
Members of the United Nations:

Mr. MEWES	Federal Republic of Germany
Mr. GRAF	Switzerland

/Representatives of

Representatives of
specialized agencies:

Mr. HERNAN SANTA CRUZ	Food and Agriculture Organization of the United Nations
Mr. de SILVA	United Nations Educational, Scientific and Cultural Organization
Mr. BRAND	International Monetary Fund
Mr. BUDNIK	World Health Organization

Representatives of Inter-
Governmental Organizations:

Mr. ETIENNE	General Agreement on Tariffs and Trade
Mr. SAEZ	Alliance for Progress
Mr. SOLA	Latin American Free-Trade Association
Mr. REY	Inter-American Development Bank
Mr. LAGO	Inter-Governmental Committee for European Migration
Miss DEHAYE	European Economic Community
Mr. MAGAÑA	Organization of American States
Mr. BENNATON	Permanent Secretariat of the General Treaty on Central American Economic Integration

/Secretariat:

Secretariat:

Mr. de SEYNES	Under-Secretary for Economic and Social Affairs
Mr. PRADISCH	Executive Secretary, Economic Commission for Latin America
Mr. MAYOBRE	Commissioner for Industrial Development
Mr. HEURTEMATTE	Deputy Managing Director of the Special Fund
Mr. VALDES	Secretary of the Commission

ELECTION OF OFFICERS

The CHAIRMAN announced that the Commission would proceed to elect its new officers, namely, a Chairman, two Vice-Chairmen and a Rapporteur, and invited nominations.

Mr. NARVAEZ (Colombia) nominated Mr. M6ndez Delfino (Argentina) for the office of Chairman.

Mr. VALDIVIA (Peru) and Mr. SANABRIA (Paraguay) seconded the nomination.

Mr. M6ndez Delfino (Argentina) was elected Chairman by acclamation, and took the Chair.

Mr. LISETTE (France) nominated Mr. Pl6cido Garc6a Reynoso (Mexico) for the office of First Vice-Chairman.

Mr. GARCIA VALLS (Cuba) and Mr. TAVORA (Brazil) seconded the nomination.

Mr. Garc6a Reynoso (Mexico) was elected First Vice-Chairman by acclamation.

Mr. ESCOBAR (Chile) nominated Mr. Furtado (Brazil) for the office of Second Vice-Chairman.

Mr. VALDIVIA (Peru) and Sir George MIDDLETON (United Kingdom) seconded the nomination.

/Mr. Furtado

Mr. Furtado (Brazil) was elected Second Vice-Chairman by acclamation.

Mr. SANABRIA (Paraguay) nominated Mr. Calix Moncada (Honduras) for the office of Rapporteur.

Mr. NARVAEZ (Colombia) and Mr. PEREZ LA SALVIA (Venezuela) seconded the nomination.

Mr. Calix Moncada (Honduras) was elected Rapporteur by acclamation.

The CHAIRMAN said that it was a great honour for him to preside over the tenth session of the Economic Commission for Latin America, at which the complex economic and social problems of the region would be discussed.

One of the distinguishing features of the current decade was a clear determination to break down the barriers that were preventing the less developed countries from developing, a determination expressed by the United Nations General Assembly when it had given the decade the name of "United Nations Development Decade". The Member States had resolved to intensify their efforts in a more co-operative spirit than hitherto to ensure that each of the less developed countries would expedite its rate of growth with a view to attaining an over-all national income rate of 5 per cent by the end of the decade.

The beginning of the decade had found Latin America in no position to achieve such a goal, as certain structural factors, combined with others of a circumstantial nature, had brought some countries almost to the point of stagnation. One of the basic factors underlying external imbalance was the deterioration in the terms of trade which had been accentuated during the second half

/of the

of the previous decade. Since the primary reaction of Latin American countries had been import substitution policies, the margin of which was often difficult to restrict, the loss of income from exports produced serious repercussions on internal activities.

International co-operation was in search of instruments capable of dealing with that undesirable decrease in import capacity, but the present system of co-operation did not wholly satisfy the requirements of the under-developed countries, which required co-ordination between the various international financing and development agencies.

In contradistinction to the general tendency of the past decade, the experience of some countries during the present decade was proving the strategic efficacy of proper participation of exports as a means of achieving equilibrium in the external sector and increasing the gross national product. The strategic target was the solution of problems related to the utilization of the peculiar advantages possessed by each individual country and the free circulation of merchandise in the international sphere, and also to the financing bound up with the ordinary conditions of sale - problems included on the agenda at the current session. The speeding-up of economic integration in the area, through ALALC and the Central American Economic Integration Programme, would make it possible to expand national markets, and improve prospects for exports, and would make for a more efficient productive structure.

The indispensable mobilization of natural resources called for a qualitative and quantitative analysis of those resources, using the most modern methods of evaluation. The techniques of aggregate and sectoral programming were being properly assimilated and applied, although the implementation of national projects was not always

/proceeding at

proceeding at the required rate; the evaluation of natural resources played a valuable role in the preparation of such programmes.

The critical analysis of the economic and social development of Latin America was fanning the flames of controversy between the advocates of monetary and structural solutions; but assuming the existence of external imbalances caused by a deterioration in the terms of trade, a dynamic policy was called for in which the interaction of monetary and structural considerations was implicit.

A diagnosis of the imbalance between the external sector and aggregate internal demand revealed the existence of an inflationary gap which could be closed, once and for all, by a substantial increase in exports and a more competitive import substitution policy, or else by eliminating the incidence of excessive demand. The latter procedure, however, might have a depressive effect, which, in view of the tendency for costs to remain rigid, would go hand in hand with rising price levels. Consequently, the solution would have to be sought elsewhere, in the reduction of the external imbalance through adequate international financial assistance, in more rational handling of the monetary and fiscal machinery, and in an effort to stabilize the budget. Such measures could be supplemented by other policies specifically directed towards improving real productivity and preventing the build-up of inflationary pressures. It might therefore be said that the controversy would be settled neither by following the conciliatory path of eclecticism nor by adopting an intransigent position, since either approach would imply an attempt to pin down within a single system of ideas a situation which was peculiar to each

/country and

country and was constantly changing.

The road to be followed was that of appraisal of the main phenomena, both monetary and structural, and their evaluation on the basis of objective and technical criteria, with due regard to the fact that the whole process was essentially dynamic in character and that its analysis and the therapy to be applied would therefore have to allow for the time element.

Another basic factor in speeding up development was optimum utilization of human resources. As had been pointed out in international gatherings, development equaled growth plus evolution. Evolution comprised the social, cultural and economic aspects of life and manifested itself in the form of both qualitative and quantitative phenomena. Therefore, the exclusively economic indicators of growth often failed to reflect the facets pertaining to the part played by man himself in development. Optimum utilization of human resources would depend on optimum employment of manpower, and that would imply the educational, technical and scientific improvement of the labour force. It was therefore essential, as a complement to economic effort, to provide educational guidance for those helpless persons who left school or sought refuge in the routine of the professions, where their frequent failure gave rise to social unrest and disruptive tendencies.

Lastly, he expressed his country's gratitude and paid a tribute on its behalf to Mr. Raúl Prebisch, for his magnificent and disinterested contribution to the region's progress towards better things.

/ADOPTION OF

ADOPTION OF THE AGENDA (E/CN.12/655)

The CHAIRMAN called for discussion of the agenda.

The agenda was adopted without amendment.

Mr. VALDES (Secretary of the Commission) reported that the heads of delegations had decided at their meeting to set up four committees to consider the various items on the agenda: I. Economic and social development; II. International trade and economic integration; III. Industry and natural resources; and IV. General questions. The officers of the committees in question would be elected at a forthcoming meeting of the heads of delegations of the member Governments.

THE PRESENT STATUS OF THE LATIN AMERICAN ECONOMY (E/CN.12/679; Economic Bulletin for Latin America, Vol. VII, No. 2 and Vol. VIII, No. 1).

Mr. PREBISCH (Executive Secretary) thanked the President of the Argentine Republic, the Ministers García Reynoso and Luis Escobar, and the Chairman of the Commission, for their generous remarks, which applied equally to all his colleagues in ECLA. He was indebted to Mr. Philippe de Seynes, who had been untiring in his support for ECLA over the years. He also expressed appreciation for the flattering terms in which U Thant's message had been couched, and for the honour conferred upon him by his appointment to discharge the heavy responsibilities of Secretary-General of the Conference on Trade and Development.

The secretariat had submitted a number of documents emphasizing the internal and external structural factors which hindered the development of Latin America. In the last of these documents (E/CN.12/680) an attempt was made to crystallize his own ideas on

/Latin America.

Latin America. He was convinced that the region must find its own solutions. The Charter of Punta del Este, which had been considered in some quarters as a master plan for the solution of regional problems, had recently been criticized for its insistence on structural reforms, on the grounds that they would discourage foreign private investment. Such a judgement was mistaken and dangerous, because the reforms brooked no delay. To eschew those changes in the social and economic structure in order to encourage foreign private enterprise was not the way to create a climate favourable to foreign or national private enterprise. On the contrary, it might produce such an upheaval in the economic world that enterprise would be transferred from the individual to the State. In the document to which he had referred, such reforms had necessarily been described in very general terms, because these problems arose in very different forms and degrees in each country with regard, for instance, to land ownership, the fiscal system and income distribution. Nevertheless there were some common denominators such as the well-known fact that the economic system was not dynamic enough to ensure a satisfactory rate of growth. It had been suggested in other reports that that was due to the incapacity of the economic system to absorb productively surplus manpower which could not be employed in agriculture or the handicraft industry and various low-productivity occupations and which was seeking more productive employment.

Growth in productivity was of two forms: firstly, an increase in the productivity and income of the economic and social groups engaged in satisfactory productive activities; and, secondly, the transfer of manpower released from agriculture, the handicraft industry and other low-productivity occupations which was seeking

/employment in

employment in activities where the production level was higher. That was the most important factor contributing to the rise in mean productivity in Latin America, but it was not operating effectively because high-productivity activities were only absorbing part of the redundant labour force. The latter was concentrated in the cities and was living there from hand to mouth. Other ECLA reports described the excessive and exceedingly rapid concentration of population in the urban centres of Latin America, which was greater than that of the more advanced countries. That problem would not be solved by the construction of housing or by giving favourable treatment to those marginal groups of society. The solution must be sought in the development process itself.

The explanation given briefly in the report was that the poverty-stricken 50 per cent of the population of Latin America lived in rural areas, but it could not be kept there if the whole or a large part of the demand for manpower was concentrated in the cities.

The problem of urban concentration called for a study not only of its outward manifestations, but also of the organic factors generating the increasingly serious social disequilibrium it implied in the region. Moreover, the situation of the rural masses could not be improved unless there was a steady increase in productivity, in other words, unless up-to-date techniques compatible with the peculiar characteristics of each individual country were introduced in the rural sector. If the question of the inferior economic status of the rural masses was tackled at its roots there would be an increased labour surplus which would exceed the demand in primary activities. Consequently, the problem referred to would be

/aggravated unless

aggravated unless the question of social equity were resolved.

Since it was impossible to arrest the wholesale shifts of population having no productive occupation, labour techniques must be improved, productivity increased and fewer personnel retained for agricultural activities, although not necessarily fewer in the rural areas. At the same time, high-productivity employment must be given to labour not required in primary activities. That was the essence of a development plan.

Capital investment on a large scale was needed to absorb the displaced rural population productively. If aggravation of the social disequilibrium problem was to be avoided, the investment coefficient in Latin America would have to be raised. One of the most serious contradictions in the Latin American situation was that the economy could not absorb such manpower on a productive basis and, at the same time, wasted the huge savings potential of those countries in superfluous and excessive consumption by the high-income groups, in unnecessary investments or in expenditure unrelated to economic development.

Were that savings potential to be mobilized effectively, serious difficulties would arise as regards transforming it into specific capital factors. There would be external payments difficulties in respect of purchases of foreign capital goods, and it would prove impossible to utilize the increased potential for the purchase of capital goods in other countries.

On the other hand, the internal productive structure was not sufficiently prepared to convert those savings into capital goods because of the embryo state of the national industries. Hence the necessity for large-scale international co-operation with a view to changing the structure of the internal economy and producing more

/capital goods

capital goods, as also transforming the structure of foreign trade in order to obtain capital goods which could not be produced economically at home before wider markets were established as a result of integration.

Furthermore, the speeding up of the growth rate created difficulties owing to the fact that the increase in capital investment would create a demand for intermediate products and consumer goods, and would aggravate the imbalance in foreign trade still further. The external bottleneck was no transitory phenomenon, and consequently monetary remedies were not enough. It was due to the congenital weakness of the primary producing countries in regard to the retention of all or part of the benefits of technical progress in export activities, a weakness which had been apparent since the great world Depression in the worsening of the terms of trade referred to as a disquieting problem by the Chairman of the Commission.

Moreover, the bottleneck reflected the obvious disparity between the slow growth of exports of primary products and the soaring demand for manufactured goods which was a feature of the Latin American economy. While it was a spontaneous phenomenon, it was aggravated by the effects of the economic policy of the large industrial centres as a whole, as seen in the disposal of agricultural surpluses and in protectionist measures.

The mention of protection at once brought to mind Western Europe and the European Common Market. The discrimination against tropical commodities existing prior to the establishment of the Market had now increased, with adverse effects on Latin American exports. It was argued in contradiction of that assertion that Latin

/American exports

American exports had increased considerably from 1956/57 (before the Common Market was formed) to the present time. That was undoubtedly true, but the gain merely represented a recovery of the levels lost during the war and in the post-war period. On the other hand, if imports of commodities liable to protection or discrimination (mainly wheat, maize, coffee, cacao and meat) were compared with imports not affected by obstacles of that kind, it was found that, in the case of the former, imports from Latin America had declined by 10 per cent, whereas the total imports of the West European countries which belonged to the Six had increased by 61 per cent between the pre-war period and 1958-61. In the second group the increases had been practically the same, 49 and 47 per cent respectively, which showed the effects of discrimination, and the way in which the region had taken advantage of the circumstances where they were favourable.

Even if it were possible to reduce the degree of protectionism, the problem of Latin America's external bottleneck would remain unsolved. The more progress the countries made in industrialization, the more serious this bottleneck would become, as long as there was a declining trend in the external demand for primary exports combined with a steady rise in the Latin American demand for imported manufactured goods. The only solution would be to develop Latin America's industrial exports, and those of other primary producing countries. The limit already appeared to have been reached in applying the remedy of import substitution, especially in the more industrialized countries of Latin America.

/Hence the

Hence the United Nations Conference on Trade and Development was of basic importance for Latin America. Among other very important topics, the Conference would discuss how Latin America could take advantage, in the immediate and near future, of the economic expansion of the great western and socialist countries in order to develop its own industrial exports, and the aspects considered would include such matters as trade operations, rules of reciprocity, and sources of financing.

There was a growing understanding of the problem in the major industrial centres. The negative position of the Havana Conference had been left behind and the changed attitudes of today made it possible to work towards satisfactory solutions. That and other problems should be systematically studied by Latin America through its regional machinery (MCLA, OAS, ALALC and the General Treaty on Central American Economic Integration), in order to ensure effective action at the Conference on Trade and Development. During the months preceding the Conference, it was essential for the Latin American countries to discuss these problems and define their common aims, the most appropriate ways and means of attaining those aims, and the matters that should not be raised at the Conference. There were some problems that could be solved at the Conference, and others, of a political nature, that were outside its scope. He had had no hesitation in accepting the great responsibility of becoming the Secretary-General of the Conference, because he believed that its success was of vital importance to Latin America.

/Another and

Another and much wider field, which did not depend on international co-operation, was that of intra-Latin American trade. The need for the Latin American common market was no longer a matter of discussion. But the effort that was being made did not seem to be sufficiently strenuous. Notwithstanding the high calibre of the Montevideo Committee and its secretariat, they could not be expected to outstep the bounds set by the Governments. A number of sectors in Latin America were beginning to feel concern on that account and, in a historic document recently signed by the Presidents of Brazil and Chile, attention had been drawn to the need for major policy decisions to expedite the establishment of the Latin American common market. And that was a problem to be solved not by technical experts, but by statesmen. Of the important decisions that were required the most urgently necessary was an agreement among the Governments concerning the quantitative target for the rapid elimination of tariff duties which they wished to attain within a specific period.

For many reasons, it would be advisable not to provide for the total elimination of tariffs, but rather to select an intermediate target, which would imply that in twelve or fourteen years' time tariffs would be substantially reduced. For example, duties might be lowered in Latin America from the present 100 per cent to an average of 15 or 20 per cent, or the gradual reduction of duties to a specific level might be agreed upon. If the Latin American countries were not prepared to enter into a quantitative commitment of that nature, it would be better to abandon all hope of a common market and turn ALALC into an agency for preferential arrangements, which, while important, could not solve the fundamental problem.

/It would,

It would, however, be unwise to venture upon commitments of the kind referred to unless a substantial fund of Latin American and international resources was previously set up to assist in the achievement of a series of basic objectives, which might be defined as follows: firstly, remedying Latin America's structural inferiority to other regions, both technically and economically speaking; secondly, facilitating the conversion of all industries and activities which would be adversely affected by the gradual reduction and ultimate elimination of tariffs and other trade régimes; and thirdly, encouraging the development of export activities in all those members of the common market which, relatively speaking, were lagging behind and had been unable to avail themselves of common market facilities to the same extent as other countries.

Lastly, the matter of credits and payments within the common market should not be forgotten. The Inter-American Development Bank had just taken a very positive step at its Caracas session, by setting up a system of export credits; but that was not enough, for there was a whole series of payments problems to be tackled.

In the view of ECLA, credit arrangements should be concerted among the common market countries, in order to give the market fluidity and forestall the difficulties that would naturally arise if a given country's accounts with the other members of the common market had to be settled in hard currency within an inflexible time-limit. It was objected that such a proceeding would be contrary to the world trend towards multilateralism, but the primary requisite for the efficient operation of a multilateral payments system was the solution of Latin America's external bottleneck problem.

/In all

In all those respects, ECLA had frequently been obliged to diverge from commonly accepted modes of thought and principles, because the theories worked out in other regions had proved in practice to be inapplicable in Latin America. He remarked that the depression of the thirties had undermined his faith in classic economic theory, and that subsequently, before joining ECLA, he had had the occasion to meditate on his experience and seek some explanation for the phenomena characterizing the Latin American countries. In ECLA he had found a group of young men who were likewise animated by the same non-conformist spirit. Thus, the work of ECLA had begun with a theoretical interpretation of Latin America's real situation, and an endeavour to account for the existing state of affairs independently of preconceived ideas. In the earliest reports, stress had been laid on industrialization as a sine qua non for economic development, and on the need for rational industrial production in the peripheral countries so that they could retain the whole or part of the benefits of their technical progress, an approach which had called forth vigorous opposition from the upholders of established doctrine.

The process of international trade had also been studied and the conclusion had been reached that the major developed centres and the primary producing countries could not be considered on an equal footing, and that tariff protection in the great centres had an entirely different effect from protection in the under-developed countries. The structural shortcomings of the Latin American economy had been studied, because it was impossible to understand the phenomena of inflation or external imbalance without a knowledge of those shortcomings. It had been emphasized that the historical

/process of

process of capitalist evolution in the major centres could not be repeated in the Latin American countries, because they had completely different characteristics, which called for a conscious and deliberate policy to act on the forces of development; and the conclusion had been reached that the free play of economic forces did not provide a solution to the problems of social justice in the Latin American countries. That conviction was likewise at the root of the notion of planned economic development, which had at the outset been interpreted as a desire to place all private economic activities under State administration, ignoring the fact that an entirely new phenomenon, also to be seen in the developed countries, was at work.

It had been a great advantage for ECLA that the Governments had not placed any obstacle in the way of the untrammelled intellectual development of its work, perhaps because they had recognized implicitly that its secretariat was not an executive body but rather an analytical and advisory body and should therefore be allowed considerable latitude and independence. That had enabled it to put forth new ideas which had subsequently been discussed and either adopted or rejected by the Governments of which the Commission was composed.

It had been given understanding support not only by Governments, but also by the United Nations Secretariat.

In conclusion, on the occasion of his retirement from ECLA, he referred to some of his staff. First of all he mentioned Mr. Louis Swenson, recalling the clear and open mind which he had brought to the consideration of Latin American phenomena and his similarity of approach to the speaker's own views of the problems. He then spoke of Mr. Alfonso Santa Cruz, Deputy-Director of the secretariat, whom he considered as a man of high intellect who combined a deep insight

/into problems

into problems with a sense of tact very valuable in the internal life of ECLA. Thirdly, he referred to Mr. Władysław Malinowski, a member of the United Nations Headquarters staff and at present Secretary of the Economic and Social Council. He had always turned to Mr. Malinowski as a skilled guide, ever concerned to ensure that ECLA as a regional organ should not lose sight of the fact that it was part of an international system, and that all must work to maintain the internal harmony of that system.

Lastly, he pointed out that it would not have been possible for ECLA to do all it was given the credit for having done, without the devotion of ECLA's staff at all levels to the United Nations and to the Commission.

Such was the great heritage that he was bequeathing to José Antonio Mayabe, who would undoubtedly add to its glory.

He was convinced that ECLA would continue to view all those development processes not merely as economic phenomena, but also as processes that were of profound social and political significance. The problems could only be solved by conscious and deliberate action, in other words, by the constant application of rational principles to the major policy decisions in the field of Latin American economic development. But such decisions could not be confined to the field of economics. There were forces making for the consolidation of human rights in Latin America, that for a large part of the underprivileged population were still mere theory. It was also important to know how far certain instruments for the control of economic forces and the methods of using them, might give a minority unlimited power not only of an economic nature, but the power to obtain dominion over other men.

/There was

There was nothing in the vast process of absorbing modern technology that required the subordination of some men by others as a part of the process. If that happened it would be the result either of a doctrinaire aberration or of the irresistible force of certain events.

The meeting rose at 5.50 p.m.