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Ninth Session
Santiago, Chile

ECONOMIC AND SOCIAL DEVELOPMENT COMMITTEE

PROVISIONAL SUMMARY RECORD OF THE FOURTH MEETING

Held at Santiago on Wednesday, 10 May 1961, at 4.15 p.m.

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/PRESENT:

PRESENT:

<u>Chairman:</u>	Mr. TEJERA PARIS	(Venezuela)
<u>Vice-Chairman:</u>	Mr. OZORIO de ALMEIDA	Brazil
<u>Rapporteur:</u>	Mr. SALGADO	Ecuador
<u>Members:</u>	Mr. MORALES	Argentina
	Mr. CENTELLAS	Bolivia
	Mr. MOLINA	Chile
	Mr. PATIÑO ROSSELLI	Colombia
	Mr. NOYOLA	Cuba
	Mr. MIXCO	El Salvador
	Mr. LETONDOT	France
	Mr. PRADO	Guatemala
	Mr. MENDOZA	Honduras
	Mr. FERRIER	Kingdom of the Netherlands
	Mr. LOPEZ	Mexico
	Mr. SEOANE	Peru
	Mr. SIMPSON	United Kingdom of Great Britain and Northern Ireland
	Mr. TURNAGE	United States of America
	Mr. PEREZ del CASTILLO	Uruguay
	Mr. ACEVEDO	Venezuela

ALSO PRESENT:

Associate member of the Commission:

Mr. PRICE	British Honduras
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Observers from States Members
of the United Nations not
members of the Commission:

Mr. BRUNNER	Austria
Mr. TREMBLAY	Canada
Mr. CUNEO	Italy
Mr. GORGASIDZE	Union of Soviet Socialist Republics

/ Representatives of

Representatives of
specialized agencies:

Mrs. FIGUEROA	International Labour Organisation
Mr. SANTA CRUZ	Food and Agriculture Organization
Mr. DIAMOND	International Bank for Reconstruction and Development

Representative of the International
Atomic Energy Agency:

Mr. FREEMAN

Representatives of inter-
governmental organizations:

Mr. MARQUEZ	<u>Centro de Estudios Monetarios Latinoamericanos</u>
Mr. REY ALVAREZ	Inter-American Development Bank
Mr. LAGO CARBALLO	Inter-governmental Committee for European Migration
Mr. LERDAU	Organization of American States

Representative of a non-
governmental organization:

Category A: Mr. VARGAS

World Federation of Trade Unions

Secretariat:

Mr. PREBISCH	Executive Secretary
Mr. SWENSON	Deputy Executive Secretary
Mr. BERTHOUD	Director, Social Affairs Division
Mr. MEDINA	Deputy Director, Social Affairs Division
Mr. BALBOA	Secretary of the Committee

ECONOMIC AND SOCIAL DEVELOPMENT

(a) Economic policy and the growth rate (E/CN.12/582 and E/CN.12/584)
(continued)

Mr. PATIÑO ROSSELLI (Colombia) said that Mr. Prebisch's article entitled "Economic Development or Monetary Stability: the False Dilemma" fully analyzed the varied relationship between economic development and monetary stability, covered the various aspects of that relationship and presented important conclusions on the means of carrying out the economic process. The chief conclusion to be derived from the article was that a policy to combat inflation should and could meet the requirements of development.

Regarding the adverse effects of certain dogmas and practices to which the author had referred, he pointed out that many of them had been abolished years earlier and that to-day monetary orthodoxy was equally concerned with problems of development policy. Monetary and credit policy was an aspect of development policy, and stability was as much an objective as economic growth. The factors determining the economic process did not prevent the requirements of development and stability from being reconciled. Those factors, however, of which international financial co-operation was one of the most important, had not been controlled in such a way as to ensure a higher and steadier rate of development. The theoretical solution of the dilemma, as outlined by Mr. Prebisch, had not yet been applied in practice. In that connexion, increased co-operation between ECLA, CENIA and other economic research agencies was most desirable as a means of further studying the conflict between development and stability when the former failed to achieve accelerated growth.

Colombia's economic policy was moving in the direction recommended in the article. Economic growth had been resumed, with a substantial reduction in price increases. Monetary and credit controls as well as import restrictions had been applied as an essential measure and had been accompanied by far reaching structural reforms.

/Mr. LETONDOT

Mr. LETONDOT (France) said that the French Government had had considerable experience in the central planning of economic development from both the technical and the political points of view. It had found that a proper balance had to be established between the various aspects of economic and social development and between the effort made by a country and the international co-operation it received. International co-operation, while an important factor, could only supplement the effort made by the recipient country itself. There were several forms of international co-operation: trade, loans for capital goods, and investment. Private investment was attracted by two factors: profit and security. In Latin America, emphasis had been placed on profit rather than security. That situation would have to be reversed. Real security could only be provided if economic policy did not resort to inflationary measures.

There appeared to be a difference of opinion concerning the method to be applied in controlling finance. In that connexion, implementation of development programmes should not be entrusted to planning organs which had no authority to carry them out. In France, special units had been set up which were separate, independent entities, not unlike private companies. Several of them had offered to co-operate with other countries and their assistance had been requested in many cases.

Mrs. FIGUEROA (International Labour Organisation) said that the ILO welcomed the apparent desire to combine the efforts of regional and international agencies for the benefit of the Western Hemisphere. Conditions in Latin America were somewhat special, as had been noted at the most recent ILO conference held in Buenos Aires. The ECLA document on economic development, planning and international co-operation (E/CN.12/562) indicated that there were two main problems: employment policy and training policy. The ILO was particularly concerned with the problem of employment policy and was studying the relationship between employment, investment capital and economic development planning. It had adopted a resolution which would

/provide the

provide the Latin American countries, at their request, with technical assistance in the study of the objectives of labour policy in connexion with economic development. Another resolution recommended the formulation of a long-term programme of research and practical measures for rural areas, with particular reference to the question of unemployment, under-employment, training and co-operatives. With respect to training policy, the ILO had devised a technical programme on the basis of which several Latin American countries had instituted a five-year training programme. It had formulated a similar programme with respect to the problem of productivity and was already providing assistance in that field to several Latin American countries.

The inclusion of technical training in the economic planning of each country was essential. It should be one of the main aims of co-operation between ECLA, the ILO, and other regional and international agencies concerned with such programmes in Latin America. The ILO looked forward to closer co-operation in the future.

Mr. PREBISCH (Executive Secretary) said that he accepted the statement made at the previous meeting by the head of the Cuban delegation and considered that an unfortunate episode was now closed.

In connexion with the secretariat document on economic development, planning and international co-operation, some questions had been raised and comments made by the representatives of the United Kingdom and France regarding the problem of reciprocity.

As early as 1954, at the OAS Conference of Finance Ministers held at Quitandinha, ECLA had pointed out the disparity in international trade between industrialized and developing countries. It had done so because developing countries constantly suffered from external imbalance as their economy grew, and because the elasticity of demand in industrialized countries for imports of primary products was much less than the demand elasticity in developing countries for manufactured goods. That tendency towards disparity could only be corrected in developing countries by a vigorous and systematic policy of import substitution in so far as they were unable to create new exports.

The thesis developed in the document concerned was that the protection of industry, essential in peripheral countries as a means of stimulating industrial development, had a completely different purpose from that in the major industrialized countries. As long as it was maintained within proper limits, protection in developing countries helped to correct the tendency towards foreign trade disparity, whereas protection in industrialized countries aggravated that tendency and thus made it all the more necessary for developing countries to undertake industrialization and import substitution. As long as that disparity existed, reciprocity could not be applied on the same scale by industrial and peripheral countries. To do so would only widen the foreign trade gap. If industrial countries imported more from peripheral countries, the latter would immediately reciprocate by increasing their imports from developed countries. No Latin American country had systematically accumulated foreign exchange by failing to import goods which it could pay for out of its exports. In fact, their imports had often exceeded their capacity to import.

The United Kingdom representative had said that the ECIA secretariat had taken an over-pessimistic view of the situation. The secretariat had been neither optimistic nor pessimistic: it had merely stated the facts and called the attention of the industrial countries to the desirability of a change in the present structure of international trade. Now that the Latin American countries were in the process of forming a common market, an initiative in that sense by the industrialized countries would contribute to increased Latin American trade not only within the area but also with the developed countries.

Mr. VARGAS (World Federation of Trade Unions) said that the question of economic co-operation and development planning was a subject of increasing concern to the WFTU and its affiliated agencies.

/Hopes for

Hopes for increased economic aid to Latin America from the United States had been dashed by the statement made at a plenary meeting (E/CN.12/SR.82) by the head of the United States delegation, who had referred to growth problems and unemployment in his own country. His announcement that the United States Congress was considering legislation which would make \$500 million available to Latin American countries, to be distributed through the Inter-American Development Bank and the International Co-operation Administration, had caused dismay among the representatives of the Latin American countries. As pointed out in the documents before the Committee, the Latin American countries had in the three previous years lost \$3,000 million (based on the 1950 value of the dollar) as a result of the unfavourable terms of trade. The \$500 million would amount at best to only one-sixth of the loss sustained. The effectiveness of United States aid was therefore open to question.

It had been stressed that Latin America must rely on its own efforts rather than on so-called foreign aid. If so, the question arose of where Latin American countries could obtain the funds to promote the accelerated development essential to their economies. It was paradoxical that, while they could not afford to develop their own natural resources, funds were nevertheless available to swell the profits of the monopolistic corporations mainly based in the United States, which were plundering those resources. It was essential that the countries concerned should regain control of their natural wealth. Moreover, in view of the fact that prices for Latin American primary products were fixed by the monopolies concerned, trade relations should be established with all countries and advantage taken of the growing market offered by the socialist States.

Most countries in Latin America had established planning organs as a means of promoting economic development. With the exception of Bolivia, Cuba and Venezuela, however, none had provided for the participation of labour unions in their planning activities, in spite of the fact that labour unions represented the only force capable of ensuring the success of industrial and agricultural development, namely the million of underfed, /under-paid workers

under-paid workers and peasants whose salaries had been frozen, as was the case in Chile. ECLA should therefore advocate the participation of workers in economic development planning.

(b) Social aspects of development (E/CN.12/583 and E/CN.12/604)

Mr. MEDINA (Secretariat) introduced two documents: the report of the Expert Working Group on Social Aspects of Economic Development in Latin America, held at Mexico City in December 1960 (offprint from the Economic Bulletin for Latin America, Vol. VI, N° 1) and his own study on relationships between social and economic institutions, a theoretical model applicable to Latin America (offprint from the same issue of the Economic Bulletin). That study was simply an effort to define the more general problems involved, subject to further analysis of them. He stressed particularly the recommendations of the Mexico meeting, grouped under three headings: those of the economist, the sociologist and the political scientist. The meeting had moreover drawn up a list of research needs in the social field in Latin America.

In co-sponsoring the Mexico meeting, ECLA had given expression to what was now a common conviction, namely, that it was impossible to carry out economic development without taking account of the social aspects which conditioned it. The question had been one of growing concern to the secretariat for several years, but its resources had so far been very modest and had precluded the more extensive work on the subject that was urgently necessary.

Mr. BERTHOUD (Secretariat) introduced two further documents: a study on population trends in Latin America in relation to economic and social policy (E/CN.12/583) and a preliminary study of the demographic situation in Latin America (E/CN.12/604). There was no need to stress the importance of the demographic factor in the economic and social fields, but it should not be overlooked that demography could constitute a valuable planning instrument in development. In that field ECLA co-operated closely with the Latin American Demographic Research and Training Centre (CELADE).

There were a number of demographic trends that were of great importance in planning development. The first was the rapid rate of increase.

/The second

The second was the tendency for that rate to be much higher in the large urban centres, at the expense of the smaller centres; that trend would affect such aspects of planning as the location of industry, the balanced geographical development to which the representative of Argentina had referred at the Committee's second meeting, and the provision of employment for the resulting excess in the labour force in large towns. A third major factor was the age structure of the population; in general Latin America had a very young population, with the result that the working population had to support a large number of non-workers, which either limited the possibilities of increasing capital investment or meant that investment was at the expense of such social services for children as education and public health, with consequent harmful long-term effects on productive capacity. A large number of children in the population also affected the level of economic activity of the female population. The above were merely a few illustrations of the close relationship between the analytical process and planning. ECLA was doing what it could in that field by encouraging research and training activities, but the main effort must be made by the countries themselves. He hoped that the two documents he had introduced would provide useful guidance.

Mr. PEREZ del CASTILLO (Uruguay) said that his country had achieved an advanced level of social progress over the past fifty years under a democratic system and in accordance with legislation that was respected by all. A crucial stage had now been reached in Latin America's development and structural reform was the topic of the day, but such reform must comply with three conditions. It must be by democratic methods, subject to legal safeguards; it must conform to the requirements of human dignity; and it must be regarded as a social measure rather than as a political weapon employed without regard to legal and moral values.

There was a need not only for educational development but also for some measures of a political nature to improve existing institutions that reduced the dynamic effectiveness of democracy. Uruguay supported all efforts to provide training in modern techniques, as a contribution to a campaign, in which all should take part, against ignorance and poverty.

/There must

There must, however, be due regard for the citizen's duty to the community to which he belonged and a distinction must be made between appropriate trade union action and disorders encouraged by political agitators. Land reform must be evolved through legal measures. Overall development should include the development of civic consciousness, based on the Christian tradition of the Latin American continent.

Referring to paragraphs 18 and 44 of the report on an agricultural policy to expedite the economic development of Latin America (E/CN.12/592), he said that it was essential to create new productive capacity in agriculture. He also drew attention to the urgent need for better housing in Latin America. With respect to the effect of automation on employment, he thought ECIA might well undertake studies on the subject. In the field of capital equipment, care must be taken to ensure that the use of foreign capital to re-equip domestic industry did not result in any transfer of ownership to foreign firms. He concluded by expressing the hope that economic development plans, properly directed towards human betterment, would usher in a new era in Latin America.

Mr. ACEVEDO (Venezuela) said that the shanty towns that existed in many Latin American countries were eloquent testimony to the neglect of the social aspects of economic development. Those aspects had long been neglected in Venezuela under the previous military dictatorship, particularly with respect to education. Much progress had been made since the close of that era: primary schools were now available for all children and efforts were being made to extend education at the higher levels, but that constituted a heavy burden for the State since education at all levels was free. Under the former régime the notion of special privileges for certain groups had prevailed; that idea had been swept away and as a result the Venezuelan people were solidly behind their Government. That did not mean that there was no opposition, but Venezuela believed that the free play of political parties was an essential condition for development. There must be full participation by all parties and by the trade unions, to ensure that the workers could have a voice in the action of the Government they had elected. That was an additional safeguard against any /infringement of

infringement of human rights in the development process. There must also be wider educational opportunities for the workers, both to ensure an adequate supply of skilled labour and to enable them to obtain higher positions in the economic and political spheres. He considered that the planning body must have technical independence and must not be asked to deal with short-term problems to the detriment of long-term concepts. In Venezuela, Congress had full opportunity to discuss development goals and policies, thus ensuring the democratic basis essential for a healthy development.

Mr. MORALES (Argentina) said that economic development was not an end in itself; its purpose was to improve the living conditions of the people, with full respect for cultural values. Consequently advice from experts in the social field was essential. He considered that the function of ECLA was to determine the conditions that would allow of an improvement in living standards and to indicate measures of economic and social policy, within those conditions, that might be promoted by Governments; the political or ethical aspects of development, however, were matters that must be left to each country. He did not think that political factors should be introduced into the present debate or into the discussions of working groups of international bodies. Problems relating to human rights could be raised in other forums and Argentina would be among the first to do so. For the foregoing reasons Argentina approved of the increasing number of research centres, university courses and so forth dealing with such aspects in the various countries. Latin American countries should guard against accepting stereotyped economic, social or political patterns that did not accord with basic Latin American ideals.

The meeting rose at 6.55 p.m.