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ECONOMIC COMMISSION FOR LATIN AMERICA

Second Session

COMMITTEE 3

Summary Record of the Second Meeting

Held at Havana, Cuba,
on Friday, 3 June 1949, at 3.30 p.m.CONTENTS:

Statements by the representatives and by the consultant of the National Association of Manufacturers, regarding chapters I, II and III of the Economic Survey (E/CN.12/82).
Resolution adopted about the said three chapters.

Chairman:

Mr. SANTA CRUZ	Chile
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Rapporteur:

Mr. RIEMENS	Netherlands
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Present:

Mr. FERRER VIEIRA	Argentina
Mr. ALVARADO	Bolivia
Mr. OZORIO de AIMEIDA	Brazil
Mr. MEJIA PALACIO	Colombia
Mr. LOPEZ FRESQUET	Cuba
Mr. VERGARA	Chile
Mr. VILLANUEVA	Dominican Republic
Mr. BRUNET	France
Mr. HUDICOURT	Haiti
Mr. BERMUDEZ	Honduras
Mr. ZAMORA	Mexico
Mr. RIEMENS	Netherlands

(continued)

NOTE: Any corrections of this record should be submitted in writing, in any of the working languages (English, French or Spanish) and within three working days, to the Executive Secretary, Escuela Municipal Valdes Rodriguez, Havana, Cuba. Corrections should be accompanied by or incorporated in a letter, on headed notepaper, bearing the appropriate symbol number and enclosed in an envelope marked "Urgent". Corrections can be dealt with more speedily by the service concerned if delegations will be good enough also to incorporate them in a mimeographed copy of the record.

Mr. McCULLOUGH	Panama
Mr. SMITH	United States of America
Mr. FEARNLEY	United Kingdom
Mr. GONZALEZ	Uruguay

Inter-American Economic and Social Council:

Mr. TAYLOR	Executive Secretary
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Representatives of the specialized agencies:

Mr. CASSERES	Food and Agriculture Organization (FAO)
Mrs. THIBERT	International Labour Organisation (ILO)
Mr. EUDITH	World Health Organization (WHO)
Mr. LOPEZ	International Bank for Reconstruction and Development
Mrs. THOMPSON	International Monetary Fund

Consultants of non-governmental organizations:

Mr. WILLIAMS	Caribbean Commission
Mr. BAIGOOYEN	National Association of Manufacturers (IAM)

Secretariat:

Mr. MARTINEZ CABAÑAS	Executive Secretary of ECLA
Mr. KYBAL	Economic Commission for Latin America.

CHAPTERS I, II and III, DOCUMENT E/CN.12/32

Mr. SANTA CRUZ (Chairman) gave the floor to Mr. OZORIO de ALMEIDA (Brazil) who on the basis of Chapter I noted that the per capita manufacturing production in Latin America had increased at a slower rate than in the rest of the world during 1937-1947. As a result, the disequilibrium between the levels of income in Latin America and in the highly industrialized countries has probably increased. These differences are reflected in the fact that yearly per capita income in Latin America averages one hundred dollars as compared to four hundred dollars in Europe and one thousand four hundred dollars in the United States. Mr. OZORIO de ALMEIDA stated that it is the time to examine whether the preferential treatment of Europe of the part of the United States, particularly in the form of the Marshall Plan, does not perpetuate the disequilibrium between the countries that are producers of primary commodities and the highly industrialized ones. This, he added, was also Brazil's position at the Economic and Social Council. The vicious circle represented by low levels of income and reduced rates of investment, which hampers a substantial expansion of production in Latin America can be broken by a greater volume of foreign investment. At present, however, the shortage of foreign exchange which prevents sufficient imports of capital goods is the main limiting factor to the expansion of production. Mr. OZORIO de ALMEIDA expressed the opinion that a substantial volume of private foreign capital cannot be expected but that it could be stimulated by new forms of inter-governmental co-operation, for instance, a joint guarantee on the part of

/the government of

the government of the capital exporting country and of the recipient country relative to the transferability of dividend and amortization payments. The speaker suggested that the Executive Secretary study the means whereby the flow of foreign private capital could be increased.

Mr. RIEMENS (The Netherlands) after stating that the Survey had "an outstanding pioneering value" referred to the role of private Dutch capital in the expansion of manufacturing in Latin America. This capital, invested particularly in oil refining, chemicals and beverages as well as in such enterprises as Phillips and Unilever, is on the increase. On the other hand, part of the Dutch indirect investments in Latin America have been liquidated.

Mr. ZAMORA (Mexico) denied that there had been a decline of economic activities in his country in 1946 as had been stated in the Survey.

Mr. GONZALEZ (Uruguay) stated that the Survey should be considered as a basic reference document, adding that it would be useful to present in a future edition of the Survey an analysis on a country basis. Due to the differences in the economies of the Latin American countries, generalizations can only be made for a few countries at a time. Mr. GONZALEZ suggested that the Secretariat prepare a country by country study on the economic, financial and legal conditions relative to foreign investment. It should also include an analysis of the "de facto" legal situation. A better knowledge of investment opportunities might attract a part of the fifty billion dollars seeking investment in the United States.

Mr. SANTA CRUZ (Chairman) regretted that the Secretariat
/of the United Nations

of the United Nations had not transcribed in full the discussion that had taken place in the Economic and Social Council concerning the financing of economic expansion in the under-developed countries where the means of stimulating productive investment of domestic capital had also been dealt with.

Mr. VERGARA (Chile) supported the suggestion made by Mr. GONZALEZ, adding that legal guarantees for foreign capital are not sufficient. The best guarantee is the record of foreign investment in each individual country. This depends in part on the ability of a given country to face cyclical fluctuations. Chile's policy of diversifying production, chiefly by industrialization, should place it in a better position to service foreign investment.

Mr. FERRER VIEYRA (Argentina) noted that the Bogota Agreement (Chapter IV) deals with the legal status of foreign investment, adding however, that the numerous amendments to the Agreement had not yet been approved.

Mr. SANTA CRUZ (President) declared that the Secretariat would take note of the remarks that were being made but that it was under no obligation to implement them unless they were presented in the form of a resolution.

Mr. MEJIA PALACIO (Colombia) stating that the work of the Secretariat in preparing the documents for the Second Session had been "prodigious" expressed the hope that in a future addition of the Survey more detailed attention could be paid to the situation in the individual countries.

Mr. LOPEZ FRESQUET (Cuba) expressed his appreciation

/for the work done

for the work done by the Secretariat but stressed the fact that Cuba's economic position had not been sufficiently described as a result of the regional scope of the Survey. He said that it would not be possible to take any action on the basis of a document which comprises economies which are as distinct as those of the Latin American countries. Moreover, due to lack of time it would be impossible for the delegations to make a detailed technical study of the Survey.

Mr. SANTA CRUZ (President) explained to the Cuban delegate that the Commission is not required either to approve or disapprove the Survey. As is customary in the United Nations it will be sufficient for the Commission to take note of the Survey; this does not involve the endorsement of the document by the respective governments represented in the Commission.

Mr. LOPEZ FRESQUET (Cuba) reserved to the Cuban government the right to make any corrections that might be necessary in regard to data relative to his country.

Upon the proposal of Mr. SMITH (United States) the Chairman gave the floor to Mr. BALGOOYEN (National Association of Manufacturers) who outlined some of the main reasons responsible for the small volume of United States private capital flowing to Latin America: lack of confidence regarding the political stability of some countries; foreign exchange shortages; uncertainty as to the stability of some currencies; fear of nationalization or expropriation in a few countries; and double taxation. Nevertheless, American investors are not always adequately informed about the differences among the various Latin American countries. In some fields and in some countries there is a considerable inflow of American private capital, particularly in petroleum and public utilities. His

organization estimated that under favorable circumstances two billion dollars of American private capital could be invested abroad per year. In some Latin American countries, however, domestic private capital is going abroad and it can hardly be expected that American capital would be invested in such countries.

Mr. FEARNLEY (United Kingdom) suggested that the Committee take note of Chapters I, II and III of Document E/CN.12/82 and that the Executive Secretary take into account the remarks made by the delegates in regard to those chapters.

Mr. CONZALIZ (Uruguay) presented Mr. FEARNLEY's suggestion in the form of a motion, which was duly seconded.

The motion was adopted.

The meeting rose at 6.00 p.m.
