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ECONOMIC COMMISSION FOR LATIN AMERICA
Eighth Session
Panama City, Panama

COMMITTEE I
(Economic Development)

PROVISIONAL SUMMARY RECORD OF THE SECOND MEETING

Held at Panama City on Tuesday, 19 May 1959,
at 3.55 p.m.

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/PRESENT

PRESENT:

<u>Chairmans</u>	Mr. CASTILLO	(Nicaragua)
<u>Members:</u>	Mr. BALDINELLI	Argentina
	Mr. HAUS SOLIS	Bolivia
	Mr. de ALMEIDA SANTOS	Brazil
	Mr. MORIZON	Chile
	Mr. FRANCO	Colombia
	Mr. MORERA BATRES	Costa Rica
	Mr. MONSERRAT	Cuba
	Mr. GINEBRA	Dominican Republic
	Mr. YERLOVI	Ecuador
	Mr. SANCHEZ AGUILLON	El Salvador
	Mr. LETONDOT	France
	Mr. FUENTES MOHR	Guatemala
	Mr. MENDOZA	Honduras
	Mr. OCADIZ	Mexico
	Mr. URQUIDI
	Mr. KAUFMANN	Netherlands
	Mr. GUERRERO	Nicaragua
	Mr. CARLES	Panama
	Mr. VALIENTE	Paraguay
	Mr. CERRO CEBRIAN	Peru
	Mr. BARNES	United Kingdom of Great Britain and Northern Ireland

Mr. KOTSCHNIG

Mr. KOTSCHNIG	United States
Mr. ROENSON	of America
Mr. PONS	Uruguay
Mr. D'ASCOLI	Venezuela
Mr. JAGAR DOTI	

ALSO PRESENT:Observers from States not
members of the Commission:

Count BORCHGRAVE d'ALTENA	Belgium
Mr. RICHARDSON	Canada
Mr. SOS	Hungary
Mr. JELEN	Poland
Mr. SANCHEZ BELLA	Spain
Mr. BAZIKIN	Union of Soviet Socialist Republics
Mr. EL TAHRI	United Arab Republic

Representatives of specialized agencies:

Mr. EZEKIEL	Food and Agriculture Organization
Mr. PERRY	International Bank for Reconstruction and Development
Mr. LASO	International Monetary Fund
Mr. SCHROEDER	World Meteorological Organization
Mr. PENNA	United Nations Educational, Scientific and Cultural Organization

/Representatives of

Representatives of inter-governmental organizations:

Mr. de GERMAIN	European Coal and Steel Community
Mr. FANIEL	European Economic Community
Mr. MONTENEGRO	Inter-American Statistical Institute
Mr. RAHARDT	Inter-Governmental Committee for European Migration

Representative of a non-governmental organization:

Category A: Mr. GARCIA MORENO World Federation of Trade Unions

Secretariat:

Mr. PREBISCH	Executive Secretary
Mr. SWENSON	Deputy Director
Mr. Santa Cruz	Secretary of the Commission
Mr. LARA	Deputy Director, Mexico Office of the Commission
Mr. AHUMADA	Secretary of the Committee

ECONOMIC DEVELOPMENT PROBLEMS AND POLICY (continued)

(b) Economic development and the regional market (E/CN.12/C.1/13) (continued)

Mr. CARLES (Panama) expressed appreciation of the value of the study of the economic development of Panama (E/CN.12/494) carried out by the ECLA secretariat in conjunction with a group of Panamanian economists. That new form of international co-operation had been very fruitful in its results. Panama now had at its disposal a group of young economists with experience sufficient to enable them to direct Panama's economy along constructive lines. As the study showed, the structure of Panama's economy had changed during the period under review; the conditions of the war years had resulted in a decline in the activities connected with international trade and traffic - traditionally the most important element in Panama's economy - and in increased emphasis on the development of the country's domestic resources. He quoted some facts and figures from the report to illustrate that process. The report also made clear, in its detailed projections, that a determined effort would be required of Panama if it were to continue the process already begun and attain the desirable rate of economic growth in the coming decade. The study had already had some effect, for Panama was undertaking a revision of its economic statistics with a view to filling the gaps and compiling new series. The report had shown the urgent need for planning as a spur to Panama's economic development. It had dispelled the ignorance which was so often the cause of economic stagnation, and had implanted new ideas, more attuned to the conditions of the times and the urgent needs of the Panamanian people.

The holding of the eighth session of the Commission in Panama had awakened public interest in economic questions and in particular in the

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improvement of the conditions of the Panamanian people. But a study alone was not enough; it must be followed up by action. The suggestion that ECLA should move into the sphere of technical assistance by sending missions of advisers to Governments was therefore particularly welcome, and he earnestly hoped that it would be put into effect in the near future.

Mr. D'ASCOLI (Venezuela) said that the economic imbalances of certain Latin American countries were due to agricultural protectionism in the highly developed countries, which tended to force down the export prices of the agricultural products of the less developed ones. There was thus some ambiguity in the attitude of the industrialized countries, which while they appeared to wish to help, were at the same time hampering Latin America's economic development. There were two possible solutions: either the highly developed countries must open their markets to the products of the less developed countries, or they must participate in agreements for the stabilization of commodity prices which would reduce the vulnerability of the economies of the latter countries.

There was reason to doubt whether the taxation system was used to the best advantage in many Latin American countries. In particular, State administrative machinery needed in many cases to be overhauled to ensure that the valuable resources obtained through taxation were not wasted.

In all Latin American countries, programmes of land reform and measures for the conservation of natural resources were necessary. Import substitution and the diversification of the economy were important, but

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they could be dangerous if the necessary outlets for the disposal of the resulting products did not materialize. The establishment of a common market could be of value in that connexion, but it should be remembered that industries set up under a high degree of protection could not without risk at once be exposed to open competition.

(a) Economic development advisory group (E/CN.12/513; Conference Room Paper No. 7)

Mr. ROSENSEN (United States of America) said that his delegation could agree with much in the secretariat's document on the subject of advice and assistance to Governments in programming economic development (E/CN.12/513). It was certainly important to assess economic trends in order to determine priorities in the public sector; it was necessary to plan public investment projects in advance in order not to waste resources; planning could contribute to the provision of incentives in the private sector; and it was right to stress the importance of fiscal and monetary policies. But his delegation could not agree with the statement on page 3 of the document that national programmes should cover all sectors of the economy, with fixed targets assuming a fixed relationship between economic variables. Long-term programmes, it believed, were of limited value, particularly in the rapidly changing conditions of under-developed countries. Programming, to be useful, must be flexible, and each country must adapt general planning principles to its own conditions.

Mr. FUENTES MOHR (Guatemala) believed that the setting of a permanent group of economists, as suggested in the document, would be of immense assistance to all Latin American countries. Those countries lacked the

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personnel necessary for economic planning, and the help they received often came from groups of experts not familiar with Latin American conditions; the solution proposed was thus a happy one. It was important, however, to train national groups of experts in economic planning. In the Central American countries there had been some examples of fruitful co-operation between national and international economists; Guatemala felt that those examples should be followed.

Mr. OCADIZ (Mexico) noted that assistance of the kind proposed would be the more valuable to Latin American countries now that their share in the established forms of technical assistance had been reduced in favour of African countries whose needs were greater.

Mr. KAUEMANN (Netherlands) agreed that it would be valuable for the countries of Latin America to establish economic targets and draw up economic development programmes, but felt that it was premature for ECLA to contemplate forming a group of experts to assist them in those activities. The Economic and Social Council had not yet taken action on the suggestion made in that connexion by his delegation at its twenty-sixth session. Improved services in the sphere of economic planning had been promised under the Expanded Programme of Technical Assistance. The newly established Special Fund would no doubt be providing services of a similar kind. It would therefore seem wiser for the ECLA secretariat to co-operate with the Headquarters bodies rather than set up a group of experts of its own, particularly in view of its heavy work programme and limited personnel.

Mr. MONSERRAT

Mr. MONSERRAT (Cuba) observed that ECLA had become a repository of the theory and practice of economic development and, more important, had evolved methods of analysis and ways of applying the lessons of analysis to the formulation of policy. ECLA economists were better equipped than were those employed by Governments for keeping abreast of advances in economic development techniques, and could in their turn learn much about the problems of economic development in Latin America from the direct contact with national conditions which service on the new advisory group would afford them. Cuba was now making extensive use of that new service provided by ECLA, and welcomed the possibility of its being amplified and strengthened.

Mr. de ALMEIDA SANTOS (Brazil) said that his delegation welcomed the document on advice and assistance to Governments in programming economic development (E/CN.12/518) because it considered technical advisory programmes of the type referred to to be a real necessity, and because Latin America's share of the total resources allocated to technical assistance was becoming proportionately smaller. It also welcomed the report on the budget as an instrument of economic development programming (E/CN.12/521) and was keenly interested in ECLA's current studies of fiscal policy.

Current Brazilian experience of measures adopted to stimulate industrial development was that such measures did not always produce the expected results. The aim had been to replace the strict control of imports, operated through a licensing scheme, by a phased system of /exchange control

exchange control and ultimately to replace the latter by a scale of customs duties designed to protect nascent and promote new industries. In actual fact, there was a tendency for such protective measures to foster the growth of non-essential industries which, while profitable, did nothing to assist the development of the basic industries which the country needed. Hence his Government had come to recognize that fiscal policy must be so framed as to counteract that trend and to stimulate the flow of investment into basic sectors of the economy. Import substitution was no answer to a shortage of resources. The importance of fiscal studies in finding solutions to national economic problems could not be over-emphasized.

In reply to a question from Mr. JATAR DOTI (Venezuela), Mr. AHUMADA (Secretary of the Committee) said that, generally speaking, the secretariat agreed with the United States representative that in the changing conditions prevailing in Latin America long-term projections were of limited usefulness, mainly because they soon became outdated. For some purposes, e.g. the public services, they were indispensable; for other purposes, however, European and United States experience showed that medium-term forecasts, provided they were kept up to date as conditions changed, were of more value. ECLA was accordingly seeking to develop, through the advisory group, a practice whereby national authorities would prepare and keep up to date their own medium-term forecasts for guidance in making short-term decisions.

Mr. YEROVI

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/Mr. YEROVI

Mr. YEROVI (Ecuador) said that ECLA's policy of training economists to guide and plan the economic development of the Latin American countries had been most successful in overcoming the lack of co-ordination which had prevailed in that sphere after the end of the Second World War. Co-ordination, however, was needed not only at the national but also at the international level, and ECLA had a useful contribution to make in that respect. It would be desirable for ECIA to hold periodic seminars at which information on economic plans could be exchanged with a view, inter alia, to obviating harmful competition. The small countries were clearly well aware of the technical challenge implicit in the idea of the common market. The purpose of the scheme was to bring about in Latin America a balanced economic development and a proper distribution of the most dynamic industries, with due attention to each country's potentialities for economic growth and specialization; those problems could be discussed more effectively at seminars than at meetings like the present one.

The Ecuadorian and Colombian delegations would shortly present a draft resolution based on the views he had expressed.

Mr. GARLES (Panama) introduced a four-Power draft resolution on advisory groups in economic development (Conference Room Paper No. 7).

Economic studies prepared by ECLA were very valuable as a first stage in the process of economic advice to individual countries. There was, however, a need for a second stage: that of determining, in the light of such studies, what practical steps were needed to intensify the

/economic development

economic development of the country concerned; and that service could best be performed by an advisory group.

Mr. SANCHES BELLA (Observer for Spain) considered that the main need was to develop a new generation of economists, trained by ECLA to organize seminars, to advise Governments, and to maintain contact with ECLA for the purpose of co-ordinating economic planning. In his opinion, every Latin American country needed five experts on each of the following subjects: economic programming, technical training, social security, housing and industrial development. He estimated the total cost of providing such experts, including their travel expenses and the operation of a training school, at \$6 million annually. That sum should be provided from the budget appropriations for the Economic and Social Council and the the Special Fund for Economic Development; his delegation would raise the matter on the Council.

Mr. URQUIDI (Mexico) said that his delegation supported in principle the provision of economic advice to Latin American countries. ECLA had produced highly significant general studies, but Governments lacked the trained staff to translate the lessons of those studies into practical plans. It was natural that they should look to ECLA for guidance, and it should be clearly understood that the provision of such guidance was not technical assistance in the strict United Nations sense of the term.

The four-Power draft resolution was designed to serve that purpose, but was unduly vague at some points. His delegation would willingly join the sponsors in working out a more specific proposal.

Mr. KAUFMANN

Mr. KAUFMANN (Netherlands) associated his delegation with the Mexican representative's comments on the four-Power draft resolution.

He asked the secretariat whether, in view of the activities of the Expanded Programme of Technical Assistance and the Special Fund for Economic Development and of the recent fusion of the Department of Economic and Social Affairs with the former Technical Assistance Administration, it would not be more economical to provide advisory services ad hoc than to lock up resources and staff in a permanent advisory group.

Mr. AHUMADA (Secretary of the Committee) said it was not contemplated that any advisory group should be set up until the services of such a group were requested by a country.

Mr. FRANCO (Colombia) said that the country referred to in the draft resolution as currently benefiting from the services of an advisory group was Colombia. His country had perhaps a longer and more varied experience of technical assistance for economic development than any other Latin American country, and the advisory group organized jointly by ECLA and the United Nations Bureau of Technical Assistance Operations was giving valuable service in framing a general law on economic policy. It appeared that other countries in the region were also coming to realize the value of the contribution which ECLA could make on those lines. He saw the proposed advisory group as a pool of experts on which all Latin American countries would be able to draw.

The Netherlands representative seemed to be concerned lest the proposed scheme should divert human and other resources which ECLA needed

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in its preparations for the institution of the common market; in his experience, ECLA was always overburdened with work but always rose to the occasion. The new venture would provide the Commission with a strong argument for a larger budgetary appropriation. There was no likelihood, furthermore, that even a permanent advisory group would ever be left idle; applications for its services would be all too numerous. The United States representative's fears that the scheme would make for unduly rigid relationships between different sectors of the economy, and that it would interfere with free enterprise, were equally unfounded; the arrangement should be flexible enough to allow of adjustment in the light of events.

Mr. GINEBRA (Dominican Republic) drew attention to resolution 125 (VII) and asked whether, in view of ECLA's heavy burden of work and the shortage of personnel, it would not be advisable to use the decentralized Technical Assistance Administration services for the purpose contemplated, instead of forming a new group of economists as suggested.

Mr. AHUMADA (Secretary of the Committee) explained that the experiment in decentralizing the Technical Assistance Administration services had been abandoned, and that the ECLA secretariat was certain that it would be able to solve its staff shortage problems with the help of the United Nations Bureau of Technical Assistance Operations.

Mr. GINEBRA (Dominican Republic) said that in those conditions his delegation would be able to support the draft resolution.

Mr. KOTSCHNIG (United States of America) said that while it had no doubt whatever about the value of technical assistance in all its forms,

/his delegation

his delegation shared the misgivings of the Netherlands representative regarding the specific proposal now before the Commission. ECLA's budget, and hence its capacities, were limited, and it could hardly expect to meet the vast needs of the South American continent unaided. But technical assistance as at present provided through the United Nations was governed by a complicated set of rules and carried out through an elaborate machinery. It was difficult to see how, given the existing scheme of things, the present proposal could be carried out. It would surely be wiser for the Commission to draw upon the world-wide resources of the United Nations complex for the fulfilment of the purpose it had in mind, and to make its contribution, as in the past, by giving advice and assistance to the missions of experts sent by the specialized agencies, than for it to attempt to set up some permanent body of experts of its own.

Mr. PREBISCH (Executive Secretary) pointed out that what the draft resolution proposed was nothing new. Its purpose was merely to recognize and systematize what the secretariat had been doing sporadically for some years past. It was a fact that very often, after the secretariat had made investigations and drawn up reports, Governments sought its assistance in putting the conclusions of those reports into practice. Generally it had been unable to comply with such requests. Where that had not been so - the example of the group of experts sent to Colombia was a case in point - the results had been excellent. Nor was the idea of a permanent body of specialists without precedent; there was the example of the Pulp and Paper Advisory Group, in which ECLA/FAO experts had been co-operating harmoniously for years.

for years. But the important thing was not that a group of the kind proposed should be set up in ECLA or in any other specific body or organ of the United Nations, but that it should be set up by the United Nations as a whole in response to the demand which the Latin American countries were legitimately making of the Organization. The specialized agencies provided experts in their own particular fields; the great need of the Latin American countries, however, was for skilled persons to help them solve their general economic problems; and that meant, primarily, economic programming. Such skill could not be improvised. Permanence and continuity were all-important; it was impossible to over-estimate the value, for instance, of the instruction given in one of the Commission's training courses by an economist who had visited and advised a number of different Latin American countries. What was suggested could be done within the rules as they stood: ECLA was not seeking to act arbitrarily or alone; it was simply a matter of its expending more of its resources on a task which appeared to it to be vital.

Mr. URQUIDI (Mexico) regretted the use of the term "technical assistance" in connexion with the proposed advisory service. As used in the United Nations, that term denoted a service governed by clearly defined rules which differentiated it from one of the type proposed. The proposed new service would be of great use in view of the declining proportion of the total technical assistance effort allocated to Latin America.

Mr. EZEKIEL (Food and Agriculture Organization) said that FAO had for many years been providing countries with the services of statisticians, marketing experts and economists whose main function was to develop

economic development programmes in so far as they related to agriculture, to train agricultural planning personnel, and so forth. The FAO Conference held in 1957 had discussed at length the planning of agricultural development in relation to the balance between agriculture and industry and the proper place of the former in over-all development. It had recommended that countries should be encouraged to ask for technical assistance in planning their economic development, and that a team of experts from the different specialized agencies should be set up to ensure proper co-ordination between development plans for different branches of the economy. FAO experts had helped seven Latin American countries in programming and in the training of economic planners, and were still at work in four countries.

If and when ECLA established the proposed advisory group, careful consideration would have to be given, if duplication of effort was to be avoided, to its relationship to the work of the specialized agencies and to the United Nations proper. It would also be well to reflect on whether the institution of such an advisory group by ECLA might not set a precedent for similar action by the other regional economic commissions, which would further strain the already diminished appropriations available for assistance in economic development.

Mr. MONSERRAT (Cuba) announced that the co-sponsors of the four-Power draft resolution accepted the Mexican delegation's offer of co-operation and hoped to present a revised proposal at the next meeting.

The meeting rose at 6.50 p.m.