

UNITED NATIONS

ECONOMIC  
AND  
SOCIAL COUNCIL



PROVISIONAL

E/CN.12/SR.115 (XII)  
May 9, 1967

ENGLISH

ORIGINAL: SPANISH

ECONOMIC COMMISSION FOR LATIN AMERICA  
Twelfth Session

PROVISIONAL SUMMARY RECORD OF THE 115TH MEETING

Held at Caracas, Venezuela,  
on Tuesday, 9 May 1967, at 10.30 a.m.

CONTENTS:

The position of the Latin American economy (continued)

Chairman: Mr. WRIGHT (Jamaica)  
later, Mr. GARCIA REYNOSO (Mexico)  
Rapporteur: Mr. MENDEZ (Colombia)

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Mr. GARCIA REYNOSO (Mexico) thanked the Government of Venezuela for its hospitality to ECLA at its twelfth session, congratulated Mr. Quintana on his appointment and praised Mr. Mayobre, the outgoing Executive Secretary, for the effective way in which he had carried out his duties.

The documents prepared by the secretariat showed that the Latin American economy had not been sufficiently dynamic in 1966. Some countries had managed to keep up and even improve, their rate of growth and the regional economic integration mechanisms had helped to intensify and diversify intra-Latin American trade, perhaps stimulating the economic development of most of the economically relatively less developed countries and those with inadequate markets.

External factors had contributed to the recession of 1966. The region's foreign trade had not expanded at the same rate as international trade in general, owing in part to the adverse effects of United States trade policy on Latin American exports which had caused the area's share in that country's imports to shrink steadily. He felt it was necessary that the United States should apply the remedial measures which it had promised but failed to put into effect. Among these were the liberalization of imports of Latin American primary commodities, including those that had undergone considerable processing, which was included in the Charter of Punta del Este of 1961, in the Final Act of the First Conference on Trade and Development in chapter IV of GATT, in the Economic and Social Charter of Rio de Janeiro and in the Buenos Aires Protocol signed in April 1967. All these and other important agreements on foreign trade appeared in the Declaration of Punta del Este and now, for the first time, they were accompanied by precise instructions for their execution.

Foreign exchange receipts from exports were becoming more and more inadequate for importing the capital and consumer goods necessary for development.

According to the ECLA report, exports and imports had almost balanced in 1961, at the level of approximately \$8,600 million; subsequently, however, the latter had begun to decline and in 1966 imports had been about \$1,200 million less than exports, and with the greater total inflow of foreign capital, payments to foreign factors of production had increased.

/According to

According to ECLA's data, the foreign debt had been twice as high in 1966 as in 1960 and the need to replenish international reserves, together with the deterioration in the terms of trade, had diminished the purchasing power of export earnings, at the same time that servicing of the public debt had been climbing disproportionately. Latin America would have to step up its exports, which called for the more effective application of concerted measures at both the regional and the national levels.

In addition, the developed countries would have to fulfil their commitments to liberalize their trade policy and provide easier access to their markets for products of the developing countries, particularly manufactures and semimanufactures. Compliance with agreements entailing commitments on the part of the United States towards Latin America would depend on the diligence and skill with which certain regional bodies, such as ECLA, carried out the functions assigned to them by the American Chiefs of State (chapter III, paragraph 10, of the Declaration of the Presidents of America). Thus it was urgently necessary to specify at the present session the agreements in respect of which the secretariat, in co-operation with ICAP, would be asked to find formulas that would lead to their execution. A thorough understanding of the agreements on foreign trade to which the American Chiefs of State had committed themselves would make it possible for the Latin American countries to present to ICAP and ECLA their suggestions for formulating action programmes. Joint efforts by the Latin American countries and the regional organs to ensure that the mandate assigned by the American Presidents was carried out at the next session of IA-ECOSOC would help finally to initiate the gradual liberalization of United States imports from Latin America, subsequently increase export earnings and strengthen the mainstays of Latin America's economic development.

Mr. Garcia Reynoso (Mexico) took the Chair.

Mr. VOLSKI (Union of Soviet Socialist Republics) said that Latin America's average rate of economic growth had declined alarmingly, keeping only 1 per cent ahead of the population growth in 1966. The level of industrial development had dropped by 7 per cent from 1938 to 1965, compared with a rise from 110 to 530 per cent in the United States; the economic gap between the two American /regions had

regions had thus widened. If Latin America, with its rapid population growth was to maintain - since it could not increase - its share in the world economy the growth rate should be at least 11 or 12 per cent. Latin America's share of world trade had declined from 10.6 per cent in 1950 to less than 6 per cent in 1966. The proportion of Latin American technicians had also fallen in relation to the world total, as had the region's share of graduate specialists.

The conclusion was that Latin America required sweeping changes in its economic and social development in regard to investment, manpower, sources of employment and levels of living. The region's main economic problems were the shortage of capital and inadequate markets.

The Alliance for Progress proposed to remedy the shortage of capital by creating a favourable climate for investment and aid, but the Alliance was intended to exploit rather than add to resources. However, the assistance was not enough to cover even the losses incurred in the form of remittances and servicing. He drew a comparison between that meagre aid and the substantial expenditure of the United States in Vietnam.

The Soviet view was that Latin America should reconcile its foreign trade with its own interests. The establishment of fair prices for its commodities would enable the countries of the region to accumulate the necessary resources and plan their development. With regard to market size, the idea of economic integration was spreading as a means of expanding the internal markets. Nevertheless, the market was limited because of a certain sameness in the structure of the Latin American economies, which comprised only one tenth of the regional's total trade. The Soviet Union therefore considered it urgently necessary for the capitalist countries to fulfil their promises and to avoid discriminating against Latin American products, in line with the recommendations of the first session of UNCTAD.

The Soviet Union itself was complying with UNCTAD's recommendations. In November 1965, it had abolished all customs duties on imports from developing countries. In August 1966, it had signed an agreement with Brazil to sell \$100 million worth of capital goods to that country in

/exchange for

exchange for Brazilian products, one quarter of which were manufactures. Similar agreements had been signed with Chile involving Chilean manufactures.

Latin America was daily gaining a better understanding of the advantages of trade with the Soviet Union, and eight countries of the region currently maintained trade relations with his country. The Soviet Union also provided an interesting example of development to all non-industrialized countries, since it had grown at an unparalleled rate from 1920 to 1967. At the same time, the Soviet Union felt close to Latin America because its sympathies lay with all developing countries. He therefore wished to make two proposals, one on planning and the other on the training of national skilled manpower. With regard to the first proposal, it might be useful for Latin American specialists to learn something about the Soviet methodology of fifty years' standing. His country could send planners to the Latin American Institute for Economic and Social Planning and could offer fellowships to Latin Americans. With regard to the training of skilled manpower, the Soviet Union held many seminars, symposia and courses every year and could arrange for Latin American specialists to take part in them.

Mr. KING (Guyana) expressed his appreciation of the opportunity given to Guyana to participate as a full member in ECLA's work and of the welcome that had been extended to his country and delegation.

Guyana had launched a seven-year programme at the beginning of 1966; investment in the first year had amounted to 23 per cent of the gross domestic product, far higher than hitherto; in real terms, the product had risen by 6.5 per cent in 1966, compared with 3 per cent from 1960 to 1965. Guyana's population was increasing rapidly, the figure being 3.2 per cent in 1965-66; per capita income in 1966 had been 268 dollars annually and had risen 3 per cent during the year. Guyana was heavily dependent on its exports, which in 1966 had contributed 54 per cent of the gross domestic product. That fact called for sound marketing measures for the Guyana's products, particularly sugar, bauxite, aluminium and rice, which constituted 90 per cent of its exports.

/Guyana attached

Guyana attached considerable importance to the agreements and understandings on trade in raw materials which might be reached at the current session and at the forthcoming session of UNCTAD.

His Government, convinced of the importance of regional economic co-operation, had signed a free-trade agreement with the Governments of Antigua and Barbados. He expressed gratification at the establishment of the ECLA office in Trinidad and was certain that it would contribute effectively to the region's economic advancement and to the subregional co-operation process.

Mr. KOCMAN (Czechoslovakia) pointed out that in Czechoslovakia's economic relations with Latin America full advantage had not been taken of the contribution which his country could make to the region's industrial development, nor of the possibilities offered by the Czechoslovakian market, often because of influences unrelated to trade. Czechoslovakia would like to resume normal trade relations with those Latin American countries which, at the moment, were legally prevented from trading with it.

The new organizational and planning methods introduced in Czechoslovakia and the readiness to incorporate it in the international division of labour created favourable conditions for greater co-operation with the Latin American countries. Czechoslovakia was willing to help finance their industrial development and also to play a direct part in it. It also wished to co-operate with the international institutions which were seeking a solution to the problems of international economic relations.

Mr. RODRIGUEZ (Cuba), replying to a comment by the representative of the United States, denied that his statements about that country had been inaccurate. Latin America's dependence on the United States had been recognized by Bolívar and Martí and a good deal had been published on the subject since the beginning of the century. The assertion that in recent years Latin America's trade with the rest of the world had served to cover its trade deficits with the United States was borne out by the documents presented at the current session and by many remarks made by delegations.

/The statement

The statement that the United States was destroying Viet-Nam after testing its weapons in Latin America was recorded, for example, by Mr. Salisbury of The New York Times. The United States action in Viet-Nam had earned almost world-wide censure. Cuba's conception of democracy and that of the representative of the United States were obviously directly opposed, as the representative of that country himself had admitted. The Government of Cuba was backed by the people, but the same could not be said of the "democratic" régimes imposed by the United States.

Mr. LINOWITZ (United States of America) said that the Meeting of American Chiefs of State had adopted unprecedentedly far-reaching decisions in the war against want, and the President of the United States had clearly announced his country's desire to help Latin America to fulfil its destiny in freedom. In reply to the assertions of some representatives that the United States aid to the Latin American nations was a sham, he described the resources given to those countries by AID, the Social Progress Trust Fund and other agencies, citing figures for the financial assistance which the United States extended to Latin America under economic development, educational, health, power generation, food, training and other programmes. He believed that to speak frankly was in the interests of progress, provided that the failures or disagreements mentioned did not obscure the major advances achieved and could be examined in a spirit of co-operation and goodwill. What was said at ECLA's twelfth session would have repercussions all over the world, since it followed a meeting of Chiefs of State which had adopted supremely important decisions. That responsibility should be shouldered in a constructive spirit, ignoring political disputes and focusing on the aim of helping nations by mobilizing all sectors of society.

Mr. CASTILLO (Permanent Secretariat of the General Treaty on Central American Economic Integration) thanked ECLA and the Latin American Institute for Economic and Social Planning for their continued co-operation with SIECA and hoped that ECLA would go on collaborating with Latin America in foreign trade matters, particularly at the forthcoming session of UNCTAD, and would redouble its efforts to bring about the economic integration of

/Latin America,

Latin America, in accordance with the decision adopted by the American Chiefs of State. It had been said that the Declaration of the Presidents of America was limited in its scope and failed to reflect the hopes of the region; but, if implemented, it would represent a milestone in Latin America's development process, particularly with regard to economic integration.

Both foreign trade and integration were of particular concern to Central America. For twelve years the area had been beset by chronic balance of payments deficits, which were handicapping its growth and beginning to retard the progress of integration. Immediate action to stabilize the balance of payments was needed in order to sustain the rate of economic growth and establish appropriate conditions for further progress. Moreover, the Central American integration movement inevitably looked forward to a genuine Latin American integration process. Thus, the establishment of a committee to co-ordinate the operational machinery of ALALC and of the Central American Common Market was highly important. ECLA's technical co-operation would be a valuable contribution to the work of the co-ordinating committee, which would also need the co-operation of the Inter-American Development Bank (IDB) and the Inter-American Committee on the Alliance for Progress (ICAP).

Central America attached particular importance to the nature and content of the process whereby ALALC and the Central American Common Market would converge towards full regional integration. Special consideration would have to be given to physical integration (communication and transport). It would be useful if ECLA were to assist the countries at relatively less advanced stages of economic development and collaborate in the preparation of sectoral agreements on industrial complementarity and of subregional agreements. But, if Latin America was to achieve true economic integration on the lines mapped out at Punta del Este, it would have to apply itself to formulating a general integration treaty of genuinely Latin American scope, with the co-operation of ECLA and of other agencies concerned with the integration of Latin America.

/Mr. LURIE



Mr. LURIE (United Nations Industrial Development Organization) informed the Committee that in 1966 the Centre for Industrial Development had a new programme of technical assistance in industry, namely, the Special Industrial Services (SIS). Its purpose was to provide technical assistance for industrial projects which because of their emergency nature could not be programmed in advance, and thus offered good prospects of operational flexibility. The types of assistance that lent themselves to SIS financing included the services of high-level experts, confidential consultations at a high policy level on matters relating to industrial development policies, and the assignment of specialists to solve the so-called "sick plant" problems. Such SIS projects had been established in about twenty countries to date.

Another feature of interest was a co-operative programme in the promotion of exports of manufactured goods, referred to in document E/CN.12/710. Pursuant to decisions adopted by the Executive Secretaries of all the regional commissions at the meeting that they had held in January 1967, a Combined United Nations Programme had been instituted, with the participation of UNCTAD, UNIDO, UNDP and the regional commission themselves. Discussions were under way for the formulation of a specific programme, with the co-operation of ECLA, that would assist Latin American Governments in developing policies and measures for the promotion of exports of manufactures from their countries.

Referring to the programme for 1967, he announced that the second phase of the International Symposium for Industrial Development would be held at the end of 1967, following the series of regional meetings on industrial development held in 1966. The International Symposium was intended as a culmination and synthesis of the regional meetings, where industrial development could be discussed in a world-wide context. One of the main themes would be the vital need for an accelerated rate of industrialization and for a larger degree of co-operation between the developed and the developing countries.

Industrial development in the non-industrial countries was largely based on a process of import substitution, which was limited by the smallness of domestic markets. Even in the more advanced of the developing countries, industrial development still took the form of economic enclaves, creating bottlenecks and an inadequate income diffusion effect. Moreover, institutional weaknesses in

/the economic

the economic structure prevented the developing countries from benefiting fully from industrial investment. That led to a circular process, in which shortcomings were at once the cause and effect of other shortcomings.

The need for action was urgent, not only on economic but also on political, social and moral grounds. The Governments of the developing countries now had a better understanding of the nature and dynamics of economic development and were more willing to engage in an active development effort. At the international level, the Governments of the industrialized countries were aware that such efforts would be a major feature of the world economy in the years to come and were prepared to afford their co-operation, which would enable the developing countries to reduce to a minimum both the cost of industrialization and dislocations in the world economy.

Mr. BUSTAMANTE (International Labour Organization) said that his organization was striving to raise the level of living of Latin American workers, since the chief asset of the continent was its manpower. The ILO intended to put into operation a Human Resources Plan, the aim of which was to include in development plans programmes for using and developing human resources; it would revise and recast those programmes regularly and gradually develop a regional approach to the problem. Rising unemployment and under-employment in the continent were obvious and made it essential to create new sources of employment and provide vocational training for Latin American manpower. Large-scale industry would not in itself create sufficient new job opportunities, even where it was widespread. Attention would also have to be paid to all aspects affecting productivity, in order to avoid any weakening of labour absorption capacity. It was thus also essential to promote small-scale and medium-scale industries, whether or not they came under complementarity agreements.

It should also be borne in mind that the industrial process could not, in all sectors, absorb the immigrants from rural areas, and it was therefore essential to create employment opportunities in the rural sector itself.

With regard to training, although facilities had increased considerably, so had the needs, and new measures were needed. It was imperative to support the efforts of the institutions that were striving to find new formulae more in keeping with modern technology. The expansion and reform of education and

/and training

and training would be the best way of galvanizing the industrialization process and thereby of increasing the rate of economic growth.

For that reason, the ILO had for several years been devoting two thirds of its technical co-operation resources to human resources programmes and was proposing to step up activities in that area through the implementation of the Ottawa Plan. But for that a joint effort was required, and the co-operation of ECLA, the Institute and other organizations was needed.

The specific tasks called for in that Plan would involve a whole series of activities, ranging from analysis and projection of the labour situation to the formulation and implementation of employment programmes. To undertake such activities, research, technical assistance and personnel training were required. In that way, the hopes of the people for integration would also be fulfilled, since economic and social integration were completely interdependent, in view of all the effects of social integration on labour conditions, social benefits, labour mobility, social security schemes, etc.

The meeting rose at 1.20 p.m.