

UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL



Distr. ~~GENERAL~~
PROVISIONAL

E/CN.12/SR.113 (XII)
5 May 1967

ENGLISH
ORIGINAL: SPANISH

ECONOMIC COMMISSION FOR LATIN AMERICA
Twelfth Session

PROVISIONAL SUMMARY RECORD OF THE ONE HUNDRED AND THIRTEENTH MEETING

Held at Caracas, Venezuela,
on Thursday, 4 May 1967, at 10.15 a.m.

CONTENTS:

The position of the Latin American economy (continued)

Chairman: Mr. HERNANDEZ SOLIS (Venezuela)

Rapporteur: Mr. MENDEZ (Colombia)

Corrections to this record should be submitted in one of the three working languages of the Commission (English, French or Spanish), preferably on a mimeographed copy of the record, to the Conference Officer, Miss Juana Eyzaguirre.

THE POSITION OF THE LATIN AMERICAN ECONOMY (continued)

Mr. SANCHEZ MENDEZ (Costa Rica), speaking on behalf of the delegations of the Central American countries, welcomed ECLA's effective contribution to the Central American Economic Integration Programme. The three main topics of the twelfth session were Latin America's economic development and problems, planning and development, and trade policy and integration. It was necessary to adopt a new general approach by working out pragmatic formulas for action and defining a long-term strategy in the light of current national and international circumstances or those contemplated for the near future. Recent economic developments in Central America included a recovery in traditional exports due to internal planning measures, the diversification of economic activities and, in particular, the forging of stronger links between members of the common market on a basis of equity and reciprocity. He pointed out that Central America's continuing growth might be threatened by the foreign trade deficit created by insufficient world demand and the need to purchase intermediate and capital goods. That had prompted the adoption of measures to protect the balance of payments, which sometimes took precedence over economic and social improvement projects and, in the long run, might affect income and employment levels. Other equally important problems included the lack of suitable means of development financing. In that respect, a regional approach was being adopted to credit, tax revenue, and external and public sector financing, and ECLA and the Latin American Institute for Economic and Social Planning were asked to co-operate in studying those matters.

A planning strategy was required which would combine a short-term policy with long-term development and regional co-ordination. Central America had taken the first steps by establishing a Joint Planning Committee and incorporating it as a permanent organ of the Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA). Other developments worth noting were the commitments undertaken at Punta del Este to expand multinational and regional programmes for investment in infrastructure and co-ordination in industry, agriculture and trade policy.

/The General

The General Treaty on Central American Economic Integration of 1960, under which the Central American common market had been established, had launched a programme whose targets were being satisfactorily attained, with integration extending to other fields within the context of economic and social development programming.

After a review of the integration programme in 1966, it had been decided to give preferential treatment to one of the member countries; an agreement on tax incentives had been signed and measures adopted to step up technical and financial assistance to the country in question. Trade between the Central American countries had continued to expand up to 1965 to the figure of 156 million Central American pesos, or 20 per cent of total imports. Since then, however, intra-area trade had lost some of its impetus and in recent times the annual growth rate had been only 15 per cent, since it had depended mainly on the existing capacity of the traditional industries and their expansion. Projects for the manufacture of durable goods and for industrial diversification had also been promoted with a view to reactivating intra-area transactions. Central America had made headway in power production and regional link-up programmes. Similarly, the co-ordination and harmonization of monetary, exchange and credit policies had been encouraged as a basis for a regional monetary union, and the Central American Clearing-House had helped to promote intra-area trade by clearing payments to an amount equivalent to 80 per cent of the area's trade. The Central American Bank for Economic Integration had expanded the range of its activities by diversifying its sources of financing, and the Integration Fund had been established to finance infrastructural projects of regional importance. In addition to those activities within the Common Market, Central America recognized the need to participate in the formation of an integrated Latin American market. To that end, consideration was being given to a policy that could be adopted jointly with ALALC and stronger economic links with neighbouring countries would be forged; at the same time, Central America would co-operate with UNCTAD and ECLA in their work on general international trade agreements. In that way the establishment of the Latin American common market would benefit from Central America's experience of integration.

/Mr. RODRIGUEZ

Mr. RODRIGUEZ (Cuba) commented upon the figures presented in the secretariat's Economic Survey of Latin America, 1966, which showed that the economic development of Latin America was not so much at a temporary standstill as in a tragic position. The situation would grow even worse unless radical remedies were applied. Stuart Mill had said, with reference to advanced countries, that the consequences of slow development would begin with unemployment and end with penury; and for almost one third of the population of Latin America, penury was not the end but the beginning. ECLA's studies also drew attention to the polarization of income, rising unemployment and inflationary pressures from which the middle classes were the ones to suffer most.

Among the structural reasons for the state of backwardness were the lack of a land reform, the concentration of wealth and the precarious trade situation. So long as the economic dependence of the Latin American countries continued, their efforts to expand their export trade would be fruitless and the benefits of external financial assistance would be cancelled out.

He did not share Mr. Prebisch's optimistic view of what had been achieved at the Punta del Este meeting. The structural changes that ECLA had been advocating as essential ever since its establishment were conspicuous by their absence, for the commitments previously assumed had not been honoured. Moreover, the United States had ignored the Latin American countries' appeal for opportunities to increase their exports. All that had been said with regard to export preferences was that the possibility would be "explored". Nor had any response been forthcoming in relation to primary commodity prices. By contrast, United States private investors had syphoned off \$ 1,567 million worth of profits from the region in 1966.

It was that tragic situation, and not Cuba's attitude, that explained the current guerrilla movements in Latin America. Cuba was proud that its example had spurred them on, but the root causes of the situation in Latin America lay elsewhere.

/Cuba had

Cuba had not been represented at the Punta del Este meeting and had shunned the Alliance for Progress from the very outset. If a comparison was made between the development processes of Latin America and of Cuba, the difference between them would be immediately apparent. In Cuba, unemployment had disappeared, and by 1970 housing would be available rent-free; the health services extended into the remotest villages; a system of scholarships had been established under which educational services were provided completely free of charge.

In addition to the social achievements he had enumerated, there was a boom in agricultural development. The 1965 sugar crop had exceeded 6 million tons, and the decline in production in 1966 was attributable to bad weather. The 1968 harvest was expected to reach the record volume of 10 million tons. Livestock came second in importance in Cuba's agricultural production. Artificial insemination and the use of intensively cultivated artificial pastures accounted for the larger supplies of milk and meat available. One yardstick for measuring the progress achieved in agriculture was the increase in the use of fertilizers, of which 1,150,000 tons had been applied in 1966.

Similar progress was observable in industry, fisheries and infrastructural projects,

With regard to trade, Cuba depended upon its exports of primary commodities, and would therefore be vulnerable to price fluctuations but for long-term agreements with the socialist countries which had provided guarantees and stable prices for its staple export product - sugar. Hence the Latin American countries' demand for stable and remunerative prices for their primary production was of decisive importance, and if it were met, they would obtain funds that would greatly help to finance the region's development.

As far as Cuba's economic progress was concerned, the most important factor was the attitude of revolutionary masses, who had enthusiastically set out together on the difficult road of Cuba's economic development, hampered as it was by the blockade and threats from outside.

/Mr. PARDO

Mr. PARDO (Bolivia) said that Latin America was passing through one of the most difficult and interesting periods of its history. Its peoples were becoming increasingly aware of their right to better living conditions, but the fulfilment of their hopes called for more and more substantial resources and its social cost was steadily rising. The region was entering upon a new phase, marked by a fusion of economics and politics through the structural changes resulting from development and integration, with planning as the methodology of those processes, and democracy as their common denominator.

The aim was to secure better living conditions for everyone. The existing problems could be traced to the structures of the Latin American countries themselves and, although they presented common features, some were more acute in the countries at less advanced stages of development. The lack of homogeneity of the Latin American economies was reflected in the fact that sectors where considerable technical progress had been achieved (the urban centres) existed side by side with others that had only rudimentary techniques (the rural areas to which the majority of the population belonged). Moreover, the export sector was under-diversified, with one or two basic commodities dependent upon a very few markets and subject to drastic price fluctuations; that was the sector which spelt development or stagnation for the countries of the region and in which disequilibria originated.

As ECLA had pointed out in its studies, the causes of the slow rate of development were to be found in under-developed structures and in low levels of technology and productivity. Moreover, the development gap was widening and the structural changes required as a counter-measure had not taken place or were happening too slowly. Perhaps instruments were lacking, or good use had not been made of those that did exist; perhaps the want of planning was responsible, or failure to find a satisfactory method of implementing decisions.

/Agricultural planning

Agricultural planning in the countries at relatively less advanced stages of development should focus on the production of food in the first place, and of goods to be channelled into industry in the second. In the export sector plans should be formulated in both quantitative and qualitative terms, and the execution of projects should be related to integrated programmes in the interests of an overall approach to the use of investment. Similar criteria should be applied to the planning of the banking and monetary structure and to fiscal policy. Above all, it was essential to take integration programmes into account in national policies. The development process and the integration movement that was inseparable from it were based on sacrifices that had to be accepted and on self-help directed towards increasing the rate of activity. In the relatively less developed countries, the effort would have to be even greater, especially as they had ground to make up in relation to the countries that were forging ahead more quickly. Conditions were favourable, since useful facilities existed, such as the legal instruments of ALALC and the recent Declaration of Punta del Este. Many of the ECLA studies were relevant to that purpose, especially document E/CN.12.774 which was submitted to the twelfth session in compliance with resolution 254 (XI) and deserved special attention.

The time had come for the relatively less developed countries to propose specific formulas and draw up detailed technical and financial assistance programmes for the integration of competing sectors steering under-productive units towards other activities and the establishment of a fund to defray the costs involved, local and external financing programmes and investment plans. It was essential to prepare an investment programme for the integration of Latin America, which would distribute

/investment resources

investment resources equitably among all the member countries and would guarantee those at relatively less advanced stages of development an annual per capita growth rate of 4 to 5 per cent. The less developed countries must devote more attention to development planning and incorporate in their programmes their own plans for joining in the regional integration movement. Lastly, the Inter-American Development Bank (IDB), ECLA and ALALC might be the agencies responsible for formulating the first investment plan for Latin American integration, in such a way that the member countries could take an active part in the work and prepare their own national programmes.

The relatively less developed countries would have to participate in that process so that they could be given the preferential treatment they had been promised.

Mr. G. MARTINEZ (Argentina) said that for the past twenty years the economy of Argentina had suffered from serious inflation, a slow rate of growth and frequent cyclical fluctuations caused mainly by the vulnerability of its external sector. In order to remedy that situation a comprehensive and simultaneous monetary, budgetary, tax, exchange and tariff measures had been carried out for the purpose of transferring human and economic resources from low-yield to high-yield activities. Recent reforms tended to make the development process more dynamic and to make the productive structure more competitive, steering it towards integration with the world economy. Such reforms required considerable effort from all sectors of the community in order to balance the budget, eliminate politically motivated charges for public services, streamline administration at all levels, do away with excessive protectionism, and liberalize the exchange system. It was also necessary to overcome external vulnerability in view of the fact that farm production would for a long time continue to be the main source of exports. Hence it had been decided to promote the development of agriculture, by reorganizing its structure and introducing technical improvements in order to step up exports to world markets at highly

/competitive prices

competitive prices, but without prejudice to the need to diversify by including a larger proportion of industrial products in exports.

It was to be hoped that recent customs and exchange measures, including general preferences not subject to reciprocity, and multilateral and non-discriminatory trade policy, would help to improve the efficiency of the external sector. However, that depended on the existence of the necessary political will on the part of the developed countries to ensure reasonable access and remunerative and stable prices for the exports of developing countries. The spirit of co-operation and solidarity invoked by the developed countries appeared to be contradicted by the difficulties that had arisen in the Kennedy Round, the recrudescence of protectionist practices in the European Economic Community and in developed countries that were often in violation of international commitments and by the suggestion made in some quarters in the United States that further restrictions should be imposed on imports of certain primary commodities.

In Argentina, Latin American integration was understood to be a means of speeding up economic and social development, supplementing and not replacing national development policies. On that understanding, Argentina would endeavour to comply, within the specified period, with the aims set forth in the Declaration of the Presidents of America, signed at Punta del Este, for the purpose of establishing a Latin American common market on the basis of existing integration schemes.

While appreciating the utility of the technical analyses found in the studies by the ECLA secretariat, he said that the Argentine delegation was not in agreement with one methodological aspect which was of such a nature that it could create distortions, namely the system of aggregative evaluation used in the document on the present and future position of Latin American agriculture (E/CN.12/767/Add.3).

That over-all and average treatment of magnitudes and characteristics was a gross distorting of reality and was not representative in the case of Argentina with respect either to problems of agricultural production and land tenure or to the scope and very idea of land reform. The latter had to be consistent with the special conditions and economic, social

/and political

and political requirements of each country, to such an extent that it would be advisable for the secretariat to carry out a special study analysing separately the situation and prospects of Argentina agriculture. At the same time, he emphasized that the study on income distribution in Argentina (E/CN.12/770) was important for a better interpretation of the present structure of that distribution by social and economic categories and by sectors of activity.

Improving the planning systems would certainly help to render the decisions taken to expedite development more effective and, despite some progress achieved in Latin America, certain obstacles that had reduced the effectiveness of those systems had to be overcome. To that end, the Government of Argentina had not only decided to continue to use economic programming as a valuable tool for economic and social development, but had also assigned it a much more important role than hitherto by bringing the national planning system into closer coordination with the executing agencies, co-ordinating the sectoral and regional aspects, promoting the joint participation of the public sector and factors of production, and emphasizing the operational aspects of planning.

With respect to the necessary expansion of Latin American foreign trade and the more equitable distribution of its benefits for the purpose of speeding up development, the Latin American countries should adopt a more vigorous and united position, in agreement with the other developing countries. That might be done by means of specific agreements in preparation for the second Conference on Trade and Development. Only thus could their bargaining position be strengthened to the extent required for reorganizing international economic relations and establishing more just and stable trade and financial ties between countries.

Mr. EMTAGE (Barbados) expressed his gratitude for the cordial welcome extended to his delegation, which was participating for the first time as a full member in a regular session of ECLA. Barbados was fully conscious that it should express its own views and represent its own interests, while also contributing towards the overall work of ECLA. On the other hand, the recent establishment of a sub-regional office

/of ECLA

of ECLA IN Trinidad was a firm indication of the Commission's intention to contribute to the economic welfare and progress of the Caribbean countries.

In Barbados, a small, densely populated country almost completely lacking in natural resources and with a limited area of arable land, the economy was focused on producing for export and importing for consumption. It was therefore largely dependent foreign trade and the export earnings of a single crop: sugar. The pattern of Barbados' foreign trade had developed largely under the preferential treatment received within the British Commonwealth of Nations. That system could not be dismantled overnight without disastrous consequences for the country's economy. He was glad that Mr. Prebisch had stressed that point in his address and hoped that in the discussions on international trade policy in the light of the second United Nations Conference on Trade and Development, the states members of ECLA would take account of Barbados' peculiar position.

His Government was endeavouring to diversify its economy through the development of agriculture, manufacturing industry and, particularly, tourism. Since 1946, Barbados had gradually improved its planning techniques and looked forward to learning from the experience of its fellow members during the discussions on planning. The Government also recognized the necessity for economic integration as a means of effecting structural changes in the economy. To that effect it had signed an Agreement with the Governments of Antigua and Guyana for the establishment of the Caribbean Free Trade Area (CARIFTA), a decision that was not inconsistent with the steps taken by other members of ECLA.

Mr. SHANCHEZ FELIZ (Dominican Republic) concurred in the views expressed by previous speakers to the effect that the union of all the Latin American countries was the only possible solution to the economic and social development problems facing the region. Although none of those countries was free from those problems, the particular features of the Caribbean nations enabled them to face the future with confidence, so long as action was taken to promote tourism and industrial development in their territories, to provide them with technical and financial assistance,

/to promote

to promote the flow of investment and to increase air traffic. The general economic structure of the Dominican Republic and its extensive undeveloped natural resources were assets which would help to solve its internal problems and strengthen its faith in progress.

The meeting rose at 12.55 p.m.