



ECONOMIC COMMISSION FOR LATIN AMERICA
 Sixth Session
 Bogotá, Colombia
 29 August 1955

SUMMARY RECORD OF THE FIFTY-SEVENTH MEETING

Held at Bogotá on Wednesday,
 31 August, 1955 at 3.30 p.m.

CONTENTS

General discussion (continued)

PRESENT:

<u>Chairman:</u>	Mr. VILLAVECES	Colombia
<u>Rapporteur:</u>	Mr. GEORGES-PICOT	France
<u>Members:</u>	Mr. PEREZ VILLAMIL	Argentina
	Mr. ANTEZANA PAZ	Bolivia
	Mr. DE ANDRADE-LYRA	Brazil
	Mr. ARCHILA MONROY	Colombia
	Mr. HESS ESTRADA	Costa Rica
	Mr. GONZALEZ LOPEZ	Cuba
	Mr. GINEBRA HENRIQUEZ	Dominican Republic
	Mr. PONCE ENRIQUEZ	Ecuador
	Mr. RAMIREZ	El Salvador
	Mr. VIAUD	France
	Mr. APPOLON	Haiti
	Mr. BUESO ARIAS	Honduras
	Mr. ZAMORA	Mexico

/Mr. NEWTON

Mr. NEWTON	Netherlands
Mr. GUERRERO	Nicaragua
Mr. McCULLOUGH	Panama
Mr. GALEANO	Paraguay
Mr. BAKULA PATIÑO	Peru
Sir Keith JOPSON	United Kingdom
Mr. RANDALL	United States of America
Mr. LACARTE MURC	Uruguay
Mr. MULIER	Venezuela

Also present:

Observers from Member States:

Mr. ALMASY	Czechoslovakia
Mr. KOT	Poland
Mr. BJORK	Sweden

Observers from non-member States:

Mr. FIORIOLI DELLA LENA	Italy
Mr. ALFARO Y POLANCO	Spain

Representatives of specialized agencies:

Mr. SACO	Food and Agriculture Organization
Mr. LARSEN	International Bank of Reconstruction and Development
Mr. LASO	International Monetary Fund
Mr. ROYER	General Agreement on Tariffs and Trade

Representative of an inter-governmental organization:

Mr. AMADOR	Inter-American Economic and Social Council
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Representatives of non-governmental organization:

<u>Category A:</u>	Mr. LUNAZZI	International Chambre of Commerce
	Miss KAHN	World Federation of Trade Unions
	Mr. CARDENAS	International Federation of Free Trade Unions

/Secretariat:

Secretariat:

Mr. PREBISCH	Executive Secretary
Mr. SWENSON	Deputy Director
Mr. URQUIDI	Director, Mexico City Office
Mr. MARTINEZ-CABAÑAS)	United Nations Technical Assistance Administration
Mr. GOLDSCHMIDT)	
Mr. SANTA CRUZ	Secretary to the Conference

GENERAL DISCUSSION (Continued)

Mr. GEORGES-PICOT (France) in the course of a general statement on the economic situation in Latin America^{1/} said that the problems of economic development could be divided into two classes, problems of economic structure, and problems of finance and trade. Among the former the problem of developing agricultural production sufficiently to keep with the increase in population was urgent. Rapid industrialization, which implied a reversal of the recent trend towards decreasing investments in Latin America and could not be achieved without the rapid development of energy resources, was also essential.

The financing of economic development was a serious problem. The Latin American countries could not finance their economic development out of their own resources and must therefore have recourse to foreign capital, both public and private. Where circumstances were favourable, private capital could play an important part but there was need for investment by Governments and international agencies.

Economic development could be stimulated by the expansion of international trade. The United Nations could encourage that expansion through the future trade organization to which the members of GATT would belong, and by promoting international commodity agreements, such as the international sugar and tin agreements. France was particularly interested in the stabilization of the coffee market, the French Union being the third largest producer and the second largest consumer of coffee in the world.

Technical assistance could be of the greatest value to countries which were industrially under-developed. Its industrial development was placing France daily in a better position to furnish such assistance. The same was true of Europe generally, where the demand for imports from the Latin American countries in 1954 had prevented the fall in prices which would normally have resulted from the minor and short-lived recession in the United States economy.

He hoped that the Sixth Session of ECLA would mark a real advance along Latin America path to economic development.

Mr. PONCE (Ecuador), in the course of a general statement on the economic situation in Latin America, said that the first, or investigation stage of ECLA's work was nearly finished, and the Latin American countries were now

^{1/} For the full text of Mr. GEORGES-PICOT's statement see Information Document N° 13.

conscious of the problems with which they had to deal, the principal problem being to bring production into line with the increase in population. They must now draw practical conclusions from the studies carried out by ECLA, and state the specific problems which needed solution, thus guiding ECLA's future activity. ECLA should give now more emphasis to the practical problems of policy related to economic development. It was essential, for instance, to clarify some of the more confused aspects of the economic, social and cultural structures of the Latin American countries. Attention had been focused first and foremost on urgent problems, and the actual capacity of those countries for economic development, which was conditioned by their economic and social structure, was still unknown.

Industrialization required the rapid assimilation of new techniques and heavy capital investment; but the economic situation of many Latin American countries was such that it would be wiser to industrialize slowly, beginning with the processing of raw materials and agricultural products which did not involve heavy capital investment.

The ECLA study on the economy of Ecuador had shown that many of its country's economic problems could be solved by a proper co-ordination of the different branches of economy. Following ECLA's recommendations Ecuador had been able to maintain a steady rate of economic expansion from 1950 to 1954, and it hoped to continue on the same path with the help of ECLA and other United Nations bodies.

Mr. RANDALL (United States of America) in the course of a general statement on the economic situation in Latin America^{2/}, said that the United States delegation was pleased to be able to participate in the consideration of the fundamental problems with which the Conference was concerned. The position of his delegation with regard to those problems and their solution was essentially that expressed by the United States delegation at the Conference of Ministers of Finance or Economy held at Quitandinha, Brazil, in November and December 1954. The maintenance of a high level of economic activity in the United States should serve as a reasonable assurance to the countries of Latin America that the normal market for approximately one half

^{2/} For the text of Mr. RANDALL's statement see Information Document No. 11/Rev.1.

of their total exports would remain unimpaired.

With regard to the problem of the disposal of United States agricultural surpluses, his Government had negotiated sales agreements with five Latin American Governments which provided for the use of a portion of the proceeds for economic development purposes. Similar negotiations were proceeding with other Latin American countries.

In accordance with the views stated at the Quitandinha Conference, his Government had succeeded in expanding the activities of the Export-Import Bank. He was also able to announce that his Government had legislative authority to participate in the International Finance Corporation.

The United States Government continued to give strong support to the technical cooperation programmes of the United Nations and the Organization of American States and had fully participated in the activities of the Special Commission on Coffee of the Inter-American Economic and Social Council. With regard to atomic energy his Government was willing to make research results and technical assistance available along the lines laid down in President EISENHOWER's speech two months previously.

It was a recognized fact that for its economic development each country had to rely primarily on its own resources, and the American countries were fortunate in that they had much in common and a similar if not identical outlook. The United States sought the same goal, a better life for its people. It believed in the right and duty of each country to choose what it considered best for itself with due regard to the effects which a particular line of action might have upon other countries.

Mr. PEREZ-VILLAMIL (Argentina), in the course of a general statement on the economic situation in Latin America^{3/}, paid a tribute to the hard work done by ECLA and the excellence of its reports, which would constitute a basis for the deliberations of the Conference. He pledged the full cooperation of his delegation in the task of seeking satisfactory solutions to the economic problems of Latin America.

^{3/} For the text of Mr. PEREZ-VILLAMIL's statement, see Information Document No. 12/Rev.1.

Entering into a detailed exposition of the economic situation of Argentina in the year 1954, he said that his country was engaged in attaining the targets set in the Second Five Year Plan which aimed at raising of the standard of living of the Argentine people. Various setbacks had been encountered in the implementation of the Plan, e.g. poor harvests and the accumulation of stocks of agricultural products. However, with the help of careful planning by the Government and the full cooperation of all sectors of the population, the situation had been overcome and great progress had been achieved.

In 1954, great strides had been made in agriculture by the extended use of mechanization and selected seeds. Likewise good progress had been made in restoring cattle-raising to its former high level after the disastrous drought of 1950 and 1951. He explained the methods used by the Argentine Government to raise industrial production and to ensure adequate imports of the necessary raw materials, and gave significant figures relating to construction, foreign trade and the balance of payments.

With reference to the flow of private foreign investments in Latin America, he said that studies carried out by international bodies indicated a downward tendency in spite of the fact that most countries had taken steps to create a more favourable climate for capital investment.

The basic policy of his delegation during the current session would be determined by the inescapable need to find solutions to those problems which tended to retard economic development. He outlined the views of his delegation on how economic development could be promoted, laying particular emphasis on the need to develop Inter-American trade.

Mr. ARCHILA (Colombia), in the course of a general statement on the economic situation in Latin America^{4/}, expressed his gratitude for the sensible conclusions and recommendations contained in the Secretariat study on the Economic Development of Colombia (E/CN.12/365 and Add.1 and 2), for its optimistic forecast of future development and its spirited defence of the establishment of a domestic iron and steel industry.

^{4/} For the text of Mr. ARCHILA's statement see Information Document No. 14.

Although the rate of development in the Latin American countries as a whole had barely attained 1.5 per cent net, the Colombian economy had developed at the rapid annual rate of 5.7 per cent per capita, partly thanks to increased earnings from its coffee exports.

Referring to the problem of terms of trade, he said that the peripheral countries, such as his own, should be assured of an adequate income from their exports at all times, much as industrial works were assured of a minimum subsistence even in times of unemployment. Complete freedom in international trade often acted as an obstacle to the economic growth of Latin American countries. The primary producing countries, accordingly, continued to urge the establishment of some system to stabilize the price of, and the demand for, their basic products. Sudden increase in prices could do as much harm as unfair reductions. For example, the sudden rise of 33 per cent in coffee prices in 1953/54, though not maintained, had threatened Colombia with inflation.

The main reason for the low rate of investment referred to in the study was that the increase in imports of consumer goods to avoid inflation lowered the marginal efficiency of capital. Furthermore, consumers tended to maintain their higher standards of consumption even when export earnings had declined.

Finally, he pointed out that, owing to more efficient utilization of raw materials per unit of production, there was an inherent trend towards a deterioration in the terms of trade of primary producing countries.

He noted with satisfaction the favourable reference in the study to the measures taken by his Government to maintain a balance between external and internal economic factors. Colombia had also achieved a reasonable stability in the prices of consumer goods and the level of public expenditure.

In future studies on the economic development of the under-developed countries, more attention might be given to taxation questions. Colombia's rapid rate of development, for instance, owed much to the policy of taxing most heavily those sectors which enjoyed an appreciable share of export earnings and thus helping to bring about equitable distribution of income among undertakings and with it a high marginal efficiency of capital.

Since investment in under-developed countries did not appear to be governed by prices, their Governments should stimulate and even supplement,

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investment in sectors of relatively low efficiency. In most such countries, the industrial sector was the least favoured. Colombia, however, would concentrate on investment in industry and services. Although, to judge from the increase in gross product, the volume of investment in Colombia was high, the rate could clearly be higher without affecting consumption.

Colombia, with the invaluable assistance of Mr. D. Lilienthal, had launched a programme of economic development with a view to a rapid increase in regional production and hence in regional income. The pilot plan for the upper Cauca would rely on the technical support of the International Bank for Reconstruction and Development, and he hoped the Commission would collaborate in it. The scheme was based on the Tennessee Valley Project and its aim was the development of hydro power production, irrigation, mining and communications.

The cool reception given in some international financial circles to the proposal to establish an Inter-American Finance Corporation - a project worthy of priority over all others - was largely due to the false assumption that there was some conflict between a system of regional financing of economic development and similar projects on an international scale. He, on the contrary, believed that regional financing would serve as a useful supplement to existing systems.

It was largely thanks to the Inter-American Economic and Social Council that the Ministers of Finance or Economy of the Latin American countries had been able to bring their problems to the knowledge of the world, and with the assistance of the Commission, to suggest practical ways of solving them. It accordingly gave him great pleasure to note that representatives of that body were attending the session. Their presence was evidence of the increasing co-operation between the two institutions.

The meeting rose at 5.30 p.m.