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SOCIAL COUNCIL



GENERAL

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ECONOMIC COMMISSION FOR LATIN AMERICA
Sixth Session

PROVISIONAL SUMMARY RECORD OF THE FIFTY-FOURTH MEETING

Held at Bogota on Tuesday,
30 August 1955 at 10:20 a.m.

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PRESENT:

Chairman:

Mr. VILLAVECES

Colombia

Rapporteur:

Mr. GEORGES PICOT

France

Members:

Mr. PEREZ VILLAMIL

Argentina

Mr. ARCE

Bolivia

Mr. DE ANDRADE

Brazil

Mr. ARCHILA MONROY

Colombia

Mr. FERNANDEZ DURAN

Costa Rica

Mr. LOPEZ ISA

Cuba

Mr. DEL PEDREGAL

Chile

/Members:

Members:

Mr. PONCE ENRIQUEZ	Ecuador
Mr. RAMIREZ	El Salvador
Mr. RANDALL	United States of America
Mr. GEORGES PICOT	France
Mr. YDIGORAS FUENTES	Guatemala
Mr. HUDICOURT	Haiti
Mr. BUESO ARIAS	Honduras
Mr. ZAMORA	Mexico
Mr. GUERRERO	Nicaragua
Mr. NEWTON	Netherlands
Mr. McCULLOUGH	Panama
Mr. GALEANO	Paraguay
Mr. PATIÑO	Peru
Sir KEITH JOPSON	United Kingdom
Mr. GINEBRA HENRIQUEZ	Dominican Republic
Mr. MURO	Uruguay
Mr. Muller	Venezuela

Also present:

Representatives of specialized agencies

Mr. BOERMA	Food and Agriculture Organization
Mr. LARSEN	International Bank for Reconstruction and Development
Mr. LASO) Mr. VERA)	International Monetary Fund

/ Representatives

Representatives of specialized agencies:

Mr. RUIZ	World Health Organization
Mr. ROBINSON	International Children's Emergency Fund

Representatives of inter-governmental organizations:

Mr. ROYER	General Agreement on Tariffs and Trade
Mr. AMADOR	Inter-American Economic and Social Council

Representatives of non-governmental organizations:

Category A:	Miss KAHN	World Federation of Trade Unions
<u>Observers:</u>	Mr. ALMASY	Czechoslovakia
	Mr. KOTT	Poland
	Mr. FIORIOLI DELLA LENA	Italy
	Mr. ALFARO Y POLANCO	Spain
<u>Secretariat:</u>	Mr. PREBISCH	Executive Secretary
	Mr. SWENSON	Deputy Director
	Mr. SANTA CRUZ	Secretary to the Conference

/ADOPTION OF

ADOPTION OF THE AGENDA (E/CN.12/382/Rev.1, E/CN.12/386)

Mr. Del PEDREGAL (Chile) observed that the items included in the provisional agenda (E/CN.12/382/Rev.1) were all well known and did not call for discussion. Later, in the committees, some questions concerning the way in which they should be treated might arise, but there would be no point to such a discussion at the present stage. He proposed that the provisional agenda should be adopted without discussion.

The agenda was adopted.

Mr. MULLER (Venezuela) and Mr. LACARTE MUÑO (Uruguay) thought that it would be useful to delegations in planning the assignments of their members to the various committees if the Commission could proceed forthwith to assign the items on the agenda to committees. They supported the suggestion by the Secretariat that the Commission should follow the plan of organization adopted at the fifth session, and he proposed the adoption of the distribution of items set forth in document E/CN.12/386.

Mr. ZAMORA (Mexico) agreed with the plan to establish six committees but suggested that three of the items (f, g and h) assigned to Committee II should be transferred to Committee VI. The items in question concerned reports which were submitted for information only and were not likely to give rise to debate.

Mr. MULLER (Venezuela) said that reports for purposes of information sometimes called for some action, and items f, g and h should not be removed from the agenda of Committee II since they bore directly on economic development and technical assistance.

The Mexican amendment was rejected.

The plan of organization of the Commission's work drawn up by the Secretariat (E/CN.12/386) was adopted.

/GENERAL DISCUSSION

GENERAL DISCUSSION

The CHAIRMAN, speaking as representative of Colombia, expressed his country's gratitude for the honour done it by his election as Chairman of the Sixth Session, and assured the Commission of his earnest intention to assist it in every way possible in the attainment of its objectives, namely, the formulation of practical recommendations for the improvement of the economies of the Latin American countries and the raising of the standards of living of their peoples.

The Economic Commission for Latin America had achieved much in the seven years since its inception in 1948. Its reports had constantly served as a guide in the economic development of the Latin American countries and he was confident that it would make a great contribution to their economic future, for it took account of the facts of the situation and the limited resources of the Latin American peoples, and sought to solve the real problems which were hindering their progress.

One of the most acute of those problems was the fluctuations in the prices paid for the raw materials and primary products exported from Latin America. The industrialized countries had now recognized the fact, and useful studies had been made of the copper, tin, coffee, banana and cocoa markets, but, although the cause of the problem had been identified, no satisfactory solution had yet been found. Efforts to that end must be continued, for, while prices remained unstable, economic development would be paralyzed and undesirable measures would have to be taken to restrict imports and maintain the balance of payments; the standard of living of the people would decline and monetary inflation would often result.

It had been suggested that the gravest consequences of price fluctuations could be averted by the diversification of exports from Latin America. But such a course could aggravate the problem for it was not certain that foreign markets would absorb the additional products, and in any case they were subject to

/fluctuations equal

fluctuations equal to, if not greater than, those affecting the principal exports. A better solution was the diversification of production in order to meet domestic demand and, so far as possible, to take the place of imports. Thus, industry should be developed to supply domestic needs, even though such production might at first appear wasteful by international standards, for such a process would inevitably lead to the reduction of unemployment and the raising of the standards of living and would gradually free the economy from its exclusive dependence on foreign markets.

That procedure would not reduce, it would in fact increase international trade but its adoption would undoubtedly demand foreign investments and credit. ECLA had suggested, in a recent study, that the minimum desirable rate of foreign investment in Latin America was one thousand million dollars a year. A proposal has been made, at the fourth extraordinary meeting of the Inter-American Economic and Social Council, for the setting up of a special body to finance economic developments in Latin America, but so far no formal steps had been taken. Meanwhile, the International Finance Corporation had been created and would begin functioning in 1956. It would no doubt greatly assist the development of private industry. The Commission might, at its present session, reconsider the proposal for an inter-American fund for industrial development.

Foreign investment would, however, prove unproductive unless the economic infrastructure of a country were sound, and for that purpose State undertakings would require financing by means of foreign loans. The International Bank for Reconstruction and Development could do much in that respect but, as various Governments had suggested, a special body would be far more effective.

Those were some of the problems facing the Commission at its present session; he was sure that its deliberations would prove fruitful and he assured it of the wholehearted co-operation of his people and Government.

Mr. PREBISCH (Executive Secretary) introduced the various
/reports prepared

reports prepared by the Secretariat in response to the requests submitted by Governments at the previous session.*

Mr. AMADOR (of the Inter-American Economic and Social Council said that the presence, in response to the invitation of ECLA, of two observers from the Council was evidence of the spirit of solidarity which animated the Council in working for the objectives common to the two organizations.

His colleague, Mr. GLOVER VALDIVIESO, and he wished to thank ECLA for its kind invitation and to reiterate the Council's gratitude for the assistance provided by the Commission's Executive Secretary at the meeting of Ministers of Finance or Economy at the fourth extraordinary session of the Council, held at Quitandinha, Brazil, in 1954.

In view of its purposes, the Council could not help but observe with deep interest the work of the present session of ECLA. The economic well-being of all Latin American countries, for which the two organizations were working within their respective fields in close, frank and friendly co-operation, not only affect the countries concerned but was becoming more and more significant for world economy.

The Inter-American Economic and Social Council confidently expected the work of the present session to be of benefit to the economies of the Latin American countries.

Mr. BOERMA (Food and Agriculture Organization) said that it was important for FAO to be aware of ECLA's planning and thinking in the field of agriculture, and FAO, in turn, welcomed the opportunity to discuss how agricultural problems should be tackled within the framework of the over-all economic problems of the Latin American countries.

Agricultural production per head of population in Latin America was nearly 10 per cent less than in 1934-38, while the population had increased by nearly 50 per cent and average real income per capita had risen by almost the same amount. Thus, the rise in agricultural production had not kept pace with population growth and the higher demand resulting from the improvement in real income

* See Information Document No. 8

levels. The consequence had been, if not actual food shortage, heavy inflationary pressures, which in some countries had necessitated a slowing down in the rate of investment in order to avoid further inflation. Another result had been a sharp fall in agricultural exports and a tremendous rise of some 70 per cent in agricultural imports. Both trends had added greatly to the payments difficulties of the region and had limited the possibility of importing capital equipment for economic development.

Another weakness in the Latin American economy was its dependence on exports of a very limited range of commodities: a handful of commodities including coffee, wheat, sugar and cotton accounted for 70 per cent of exported agricultural commodities and something like 40 per cent of total Latin American exports. Exporting countries should examine the trend of world demand and the possibilities of diversifying agricultural production with a view to widening the basis of their exports. Cocoa seemed to be one promising possibility and it was likely that more beef could be sold abroad if the supplies were available.

The dependence of a number of Latin American countries on coffee exports was particularly marked. He did not wish to make any forecasts about the outlook for coffee. FAO had recently published a special commodity study on the factors influencing the demand for coffee but very little was known about the probable trend of supply. In the last few years, however, coffee prices had been higher in relation to the prices of other commodities than at any time since 1913 and it was obvious that the present period of prosperity might not continue indefinitely. Coffee-exporting countries might wish to consider, while the market was good, whether they should seek in co-operation with importing countries means of securing some degree of price stability in order to avoid a repetition of the difficulties that had been experienced more than once in the past.

The situation of Latin America as an exporter was weakened by the fact that three of its four main export commodities, wheat,
/sugar and

sugar and cotton, were already in surplus in world markets. The seventh session of the FAO Conference, in November 1953, stressed the urgency of a constructive inter-governmental approach to the question of surpluses. The Conference had recommended certain basic principles to be observed in surplus disposal measures in order to avoid undesirable economic effects. Further work on the problem had been done by the FAO Committee on Commodity Problems and by the FAO Council, and an internationally agreed and consolidated body of principles of surplus disposal had now been established. Moreover, a Consultative Sub-Committee on Surplus Disposal had been set up in Washington since July 1954 and at frequent meetings, member Governments freely and informally discussed particular instances of surplus disposal. Of the 21 countries participating, only two were in Latin America. Although 13 Latin American countries attended meetings as observers, FAO felt that more countries from the region should take a full part in the discussions in view of their vital interest in the constructive disposal of surpluses.

The FAO Committee on Commodity Problems had also emphasized that carefully planned utilization of surpluses in aid of economic development held good prospects of moving large quantities of surplus commodities into consumption, over and above the amount that could be disposed of by normal economic means. The results had been published of a pilot survey undertaken by FAO in collaboration with the Indian Government in order to appraise the possibilities of using surplus food to provide part of the cost of development projects under conditions that would avoid harmful repercussions. Latin American countries might be interested in studying those results with a view to application to their region.

The basic need of Latin America was still for an increase in agricultural production, but not an indiscriminate increase which might add further to surplus stocks or reduce the prices of certain commodities to unprofitable levels. Further increases in production should be carefully adjusted to domestic needs, economic possibilities and export prospects. The ECLA Secretariat and FAO /had jointly

had jointly prepared a paper for the present session on the selective expansion of agricultural production and consumption. To the implications arising from that study, which would be discussed later in the session, should be added periodic consultations among Governments on agricultural plans.

The main reasons for the relatively slow growth of agriculture in Latin America were the low technical level and the low level of investment. FAO, working through the Technical Assistance Programme and in close collaboration with the United States "point 4 programme", was contributing to the raising of the technical level of the region but its efforts would not have full effect if they were not reinforced by the Governments of Latin America, notably through the strengthening of farm advisory and extension services. The low level of investment stemmed partly from the general shortage of capital in all newly developing economies, partly from the presence of more attractive fields of investment, and partly from land tenure conditions in Latin America. Holdings of land often appeared to be either too small or too large. The owners of smaller holdings were too poor to improve their properties and the greater part of available capital in larger properties was often locked up in the land itself with little capital left for development. Some countries in the region were already trying to solve their land tenure problems in various ways and FAO had tried to contribute by the well-attended Seminar on Land Problems held at Campinas, Brazil, in May and June 1953. He was not suggesting that investment difficulties depended primarily on questions of land tenure and he particularly stressed the need for larger supplies of short- and medium-term credit for expanding production at rates which would make it available to smaller cultivators.

He was very happy to note the increase in the number of requests received from Latin American Governments for technical assistance in the field of distribution and marketing problems. Marketing experts were working in, or had visited, Bolivia, Chile, Ecuador, Nicaragua, El Salvador, Honduras, Guatemala and Colombia.

/FAO had

FAO had also undertaken to organize in Latin America two demonstration and training centres on the economic aspects of marketing. The first centre, dealing with livestock, would open in Santiago, Chile, in September 1955, and the second, specializing in grains, was to be held in Buenos Aires at the end of the year. FAO looked forward to the full support of all Latin American Governments in such pioneering activities. In addition, FAO was co-operating with the Organization of American States in the economic aspects of an international grain storage training centre in Bogota, commencing on 19 September.

In conclusion, he pointed out that the continent of Latin America was second to none in its agricultural resources. There could be no question in the long run that they would be developed and used to the full. The concern of all must now be how to develop them expeditiously, with a minimum of wasted effort and with co-operation among all countries for the maximum benefit of the region as a whole.

The meeting rose at 12:30 p.m.