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Fifth Session

SUMMARY RECORD OF THE  
FORTY-FOURTH MEETING

Held at Rio de Janeiro on Friday,  
10 April 1953, at 11 a.m.

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PRESENT:

<u>Chairman:</u> Mr. EUVALDO LODI	Brazil
<u>Rapporteur:</u> Mr. GIORDANO BRUNO ECCHER	Uruguay
<u>Members:</u> Mr. SANTOS VENTURA	Argentina
Mr. CEVALLOS TOVAR	Bolivia
Mr. DE MOURA	Brazil
Mr. BOTERO ISAZA	Colombia
Mr. MARTONES	Chile
Mr. CRESPO ORDONEZ	Ecuador
Mr. GLOWER	El Salvador
Mr. BOHAN	United States of America
Mr. DE TINGUY DU POUET	France
Mr. NORIEGA MORALES	Guatemala
Mr. RIGAUD	Haiti
Mr. ALVARADO TROCHEZ	Honduras
Mr. MARTINEZ BAEZ	Mexico
Mr. AUGUSTO CANTARERO	Nicaragua
Mr. JONG BAW	Netherlands
Mr. Mc CULLOUGH	Panama
Mr. URBIETA FLEITAS	Paraguay
Mr. BARRETO	Peru
Mr. GODFREY	United Kingdom
Mr. GARRIDO	Dominican Republic
Mr. CASAS BRICEÑO	Venezuela

/Also present:

Also present:  
Representatives of Specialized  
Agencies

Mr. SILBERER	International Labour Organisation (ILO)
Mr. DEL CANTO	International Monetary Fund (Fund)
Mr. MARRAMA	Food and Agricultural Organization (FAO)

Representative of an inter-  
governmental organization

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

<u>Category A</u> Mr. STEBELSKI	International Chamber of Commerce (ICC)
<u>Category B</u> Mr. ABELARDO VILAS BOAS	Inter-American Council of Commerce and Production
Mr. KINGSTON	Inter-American Statistical Institute
<u>Secretariat</u>	
Mr. PREBISCH	Executive Secretary
Mr. SWENSON	Assistant Director
Mr. SANTA CRUZ	Secretary of the Conference

ADOPTION OF THE AGENDA (E/CN.12/290)

The CHAIRMAN moved the adoption of the provisional agenda (E/CN.12/290).

The agenda was adopted.

PUBLICATION OF DOCUMENTS

Mr. DE TINGUY DU POUET (France) considered that the reports submitted to the Commission were such that they needed

/thorough study;

thorough study; unfortunately, that had proved impossible because they had been distributed too late. It would be desirable for the Secretariat to endeavour to distribute them sooner in the future.

Furthermore, contrary to the rules of procedure, no studies had thus far been published in French. The French delegation was aware of the difficulties in the Secretariat's task, and had always fully appreciated the efforts of Dr. Prebisch and his collaborators. Nevertheless, the French delegation earnestly hoped that, for the Commission's next session, French texts would be published in time for the French-speaking delegations to give the studies the careful attention they deserved.

Mr. SANTA CRUZ (Secretary of the Conference) apologized to the French-speaking delegations on the Secretariat's behalf. The prolongation of the seventh session of the General Assembly had prevented the Commission's Secretariat from requesting assistance, as on previous occasions from the translating services at Headquarters.

Mr. RIGAUD (Haiti) associated himself with remarks of the French representative.

The CHAIRMAN thanked the representatives of France and Haiti for their tolerant spirit and for their understanding of the practical difficulties encountered by the Secretariat.

STATEMENT BY THE EXECUTIVE SECRETARY

Mr. PREBISCH, (Executive Secretary) described the Secretariat's activities: In keeping with approved work plans, its activities displayed a strong sense of unity and were converging towards the fundamental problems of economic development. Accordingly, the accent had been placed on concrete action, in conformity with the policy laid down by the Commission. In that connexion, he mentioned the seminar on the iron and steel industry held at Bogota in collaboration with the Technical Assistance Administration; the meeting of the Committee of Ministers of Economy on Economic Co-operation in Central America held at Tegucigalpa, when economic integration in Central America was discussed; and the study on pulp and paper produced in conjunction with the Food and Agriculture Organization. In addition, there was now being presented for the first time a study on the technique of programming economic development.

He then referred to the central problem of economic development: the structural changes in economies caused by disparity between the foreign demand for raw materials and the Latin American demand for imports, the latter being far in excess of the former. That had led to a grave dilemma; the choice lay between slowing down growth in order to maintain equilibrium, and introducing structural changes whereby imports would be replaced by domestic production. Industrialization and technical improvements in agriculture

/therefore represented

therefore represented the key to the rise in the Latin American living standard. The technical improvement of agriculture would be the only way to strengthen the purchasing power of the masses and would involve finding employment for the displaced population in other activities such as industry, services and transportation. The possibilities of raising the per capita income through exports were limited, and hence industrialization had to share with export the dynamic task of raising the living standard.

Structural change, the central problem of development, had to be adequately planned not only by the Latin American countries but also by the industrial centres. With regard to the Latin American countries, it was possible, in a programming study, to draw up estimates along the lines of those prepared by the Secretariat for Chile and Brazil, covering the probable future demand for imports and the extent to which they would have to be replaced by domestic production. With regard to the industrial centres, it was advisable that, for example, the European countries should adapt their programmes to the expected replacement of imports by domestic production in Latin America.

Owing to the differences in productivity between the great industrial centres and the Latin American countries, structural changes could not occur spontaneously but required a policy of deliberate, gradually progressing, industrial development.

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The establishment of less productive industries did not mean that they were anti-economic if their productivity was higher than that in primary activities, even if such a development should at times cause extreme divergences. The subject was discussed in the programming study; it had been found that some countries still had much scope for exporting the products of industries with a high productivity, as in the case of Chile, with its prospects of exporting pulp and paper, iron and steel.

Such a type of activity, which might be a valuable means of promoting trade within Latin America, required, as explained in another study, a diversity of favourable measures in the field of customs duties, currency and transport. The possibilities of greater intra-regional trade were being hampered by bilateralism; an imaginative and bold constructive approach was needed. The field of new activities was especially propitious for long-term policy.

Without trade, a scheme for the settlement of payments would lack substance. That was the experience of the European Payments Union. The Secretariat had been instructed to study in what way the Latin American countries might possibly avail themselves of the facilities of that Union. A study was being submitted which outlined various solutions for that complex question and which made allowances for the dollar shortage that troubled Latin America as much as Europe. If multilateralism

/could not

could not be applied, a solution facilitating compensations was preferable to bilateralism.

Another example of the usefulness of programming technique was the possibility of estimating the requirements for foreign capital in keeping with national plans, even though foreign capital played a small part in comparison with domestic capital. Still, foreign capital might make it possible to raise the rate of investment during a certain period and so lead to a higher per capita income and increased internal savings. Nonetheless, owing to external events the rate of national investment was subject to considerable fluctuations on account of both the variations in the terms of trade and of the not always satisfactory level of monetary reserves.

He then referred to co-operation with other agencies, especially with the Inter-American Economic and Social Council, with which a practical understanding had been reached concerning the work of the two Secretariats; negotiations had also been conducted concerning co-ordination at government level. Similarly, many projects had been undertaken jointly with the FAO, the TAA and other bodies.

In conclusion he spoke of the spirit of international service of the personnel of the Secretariat which, far from being weakened at times of stress, had been strengthened. He could confidently claim that it had complied with its duty

/and gained



and gained the confidence of the governments. If in the past some doubt had arisen, there had also been evidence of support, not least that of the Brazilian Government, to which the Secretariat's work was now being offered as a sincere tribute.

The CHAIRMAN, speaking on behalf of all members of the Commission, congratulated Mr. Prebisch on his clear and full statement. He, too, laid stress on the very close connexion between the industrialization of an under-developed country and the development of its agriculture. Inflation was largely an evil of foreign origin: the rise in the prices of imported products increased the deficit in the balance of payments, and the importing countries in their turn were forced to increase the prices of their exports in order to pay for their imports.

#### GENERAL DEBATE

Mr. ORDONEZ (Ecuador) thanked the Commission on behalf of his Government for the study on the economic development of Ecuador carried out by a group of experts with the collaboration of Ecuadorian economists and various public and private Ecuadorian organizations. The group of experts' diagnosis of economic conditions in Ecuador would certainly be of interest to all the Latin-American countries.

The Latin-American countries had come to a cross-roads. For the sake of their ancient civilization, they must raise the standards of living of their populations by developing their national economies.

/There were

There were many encouraging signs for Ecuador in the study of its economic development. For example, the once flourishing cacao industry, which had been almost entirely wiped out by cryptogamic disease, had been replaced by the cultivation of rice; in the space of a few years rice production had reached a figure of 2 million quintals, a good deal of which was being exported and was thus helping to restore the equilibrium of Ecuador's balance of payments.

Similarly, the production of bananas had increased to such an extent during the past three years that it had enabled Ecuador to become one of the world's leading banana-exporters. Moreover, the country's potential in that line was far from exhausted. There were still 3 million hectares of land which could be used for the cultivation of bananas.

Nevertheless, Ecuador was not resting on its laurels and was constantly seeking ways of improving its balance of payments. By a sound monetary policy, based on national savings, it had succeeded in avoiding inflation.

The experts pointed out in their economic study that the population density in the Ecuadorian highlands, where 60 per cent of the population lived, was excessive. The potentialities of the coastal region made it possible to visualize a population shift toward the latter.

The relative isolation of the two very different geographical regions of Ecuador raised a major problem: that of the establishment of a system of road communications between the /regions. The

regions. The Ecuadorian Government hoped it would be able to solve the problem with the help of the technical assistance it expected to receive from the United Nations and the loans which its sound financial situation would enable it to obtain.

The ECLA experts had also stressed the abundance of cultivable land and agricultural manpower in Ecuador, which should enable the country not only to increase the quantum of per capita exports but also to produce the consumer goods required by its population and the essential raw materials for an as yet insufficiently developed national industry. Other possibilities open to Ecuador for decreasing the volume of its imports and raising the level of the national income included cattle raising, exploitation of forests, intensification of coffee and sugar cane cultivation and the development of textile industries.

Attention should also be drawn to the monetary reform carried out by the Ecuadorian Government in 1947 as a result of the visit of a group of experts from the International Monetary Fund. That had made it possible to put an end to the period of inflation which had followed the Second World War. It was also upon the recommendation of the International Monetary Fund that the Ecuadorian Government had established the Corporación de Fomento de la Producción in 1949. Lastly, in 1948, the International Bank for Reconstruction and Development, following a study of Ecuador's economic situation undertaken by one of its experts, had recommended the Ecuadorian Government to

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make a thorough investigation of national resources before drawing up development projects, so that the Bank might give favourable consideration to those plans. The investigation had been undertaken the same year by a group of experts from the International Basic Economy Corporation, headed by Mr. Stacey May, the distinguished American economist. At the same time, the Ecuadorian Government had requested technical assistance from the United Nations, whose highly qualified experts had provided it with valuable help in every field of economic development.

Thus, it might be said that Ecuador had now gone beyond the stage of economic studies and investigations and entered the phase of practical achievement; in that phase it hoped to continue to receive the benefit of United Nations technical assistance and the indispensable help of the International Bank for Reconstruction and Development.

The meeting rose at 1.25 p.m.