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ON THE PROGRAMME OF WORK

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WORK OF THE COMMISSION SINCE THE SIXTH SESSION
OF THE COMMITTEE OF THE WHOLE

1. During the past year increasing emphasis has been placed on those aspects of the work related to the gradual and progressive creation of a Latin American common market and to the Central American Integration Programme. In addition, there have been increasingly frequent requests from Governments for assistance and advice along the lines indicated in resolution 137 (VII).

2. The report which follows is divided into three main sections:

A. Activities of subsidiary bodies; B. Other activities; and C. Relations with specialized agencies and other organizations. However, in view of the detailed description of the Commission's present and future work given in the five-year programme appraisal requested under the Economic and Social Council's resolutions 665 C (XXIV) and 694 D (XXVI) (see E/CN.12/500), this report will be confined to brief comments on the progress of the work since April 1958.

3. Before proceeding with an outline of the activities of the Commission's subsidiary bodies, reference should be made to the Extraordinary Session of the Committee of the Whole of the Commission held at New York from 1 to 3 October 1958. This session was convened to discuss proposals for financing the United Nations building to be erected in Santiago on the plot of land donated by the Government of Chile. Two different methods of financing were put forward, and were finally combined in resolution 147 (AC.41), which was adopted unanimously. Subsequently the proposals made were approved by the General Assembly in its resolution 1273 (XIII).

4. Negotiations with the Government of Chile are now in hand with reference to the preparation of the site and other preliminary work of a technical nature.

A. ACTIVITIES OF SUBSIDIARY BODIES

5. This section deals with the work of the Commission's Trade Committee and its working groups, and of the Central American Economic Co-operation Committee and its sub-committees.

/TRADE COMMITTEE

TRADE COMMITTEE

6. The Trade Committee is to hold its second session early in May, and will submit its report on that session (F/CN.12/C.1/15) to the eighth session of the Commission, which will convene immediately thereafter. During the course of the year, the secretariat has been actively engaged in the research and other work needed for the studies to be presented to this second session of the Trade Committee and to the second sessions of its two working groups, on payments and the regional market. Although the major part of the work has fallen within the sphere of the Trade Policy Division, all of ECLA's substantive divisions have collaborated to a greater or lesser degree in the preparation of the various studies.

Central Banks Working Group

Second session	24 November - 3 December 1958
<u>Chairman</u>	Mr. José Garrido Torres (Brazil)
<u>Rapporteur</u>	Mr. Eusebio Campos (Argentina)

7. All the Latin American countries were invited to attend this second session, since the discussion was to include payments problems not only as between countries having clearing accounts, but also as between countries not having such accounts.^{1/} Progress in implementing the Montevideo standard agreement was reviewed, with particular reference to the application of the principle of parity in selected sectors, the question of a limit in respect of bilateral credit, and the transfer and liquidation of balances. This was followed by a discussion on the following topics: means of linking together the bilateral and multilateral account countries in a payments union which would reconcile their different tendencies and interests without imposing any retrograde action on the latter countries; payments problems between Latin American countries not having clearing accounts; the possible participation in

^{1/} The documents submitted by the secretariat included: "Payments in inter-Latin American trade" (E/CN.12/C.1/WG.1/8 and Add. 1 to 3) Summary of the above-mentioned document (E/CN.12/C.1/WG.1/7) "Main objectives and possible characteristics of a Latin American payments union" (E/CN.12/C.1/WG.1/9).

the system of countries outside the area; and the interdependence between multilateralization and the liberalization of trade.

8. Following full debate, the Working Group adopted a draft Protocol, for submission to the next session of the Trade Committee, on the establishment of a Latin American system for the multilateral compensation of bilateral balances, to enter into effect as soon as a minimum of four countries had acceded to it. Under this Protocol, the ECLA secretariat would be appointed to act as the Agency in charge of compensation operations.

9. Finally, the Working Group recognized the close link which exists between progress on payments problems and progress relating to the gradual liberalization of trade, and suggested the advisability of special inter-governmental organs being established to carry out the liberalization procedures established among the countries in the area and to supervise their common payments system.

Working Group on the Regional Market

Second session: 16 - 27 February 1959

Chairman: Mr. Galo Plaza (Ecuador)

Rapporteur: Mr. Carlos Lleras Restrepo (Colombia)

10. The Group was composed of the following members:

Carlos d'Ascoli, Senator, Venezuela

José Garrido Torres, Executive Director of the Department of Currency and Credit of Brazil

Rodrigo Gómez, Director-General of the Banco de México

Flavian Levine, Director of the Banco Central de Chile, Professor of the University of Chile, Manager of the Compañía de Acero del Pacífico

Carlos Lleras Restrepo, Senator, Colombia

Eustaquio Méndez Delfino, President of the Buenos Aires Stock Exchange and former President of the Honorary National Commission of Economy and Finance of Argentina

Raymond F. Mikesell, Professor of the Economics Department of the University of Oregon, United States

Juan Pardo Heeren, former Minister of Finance of Peru

Galo Plaza, former President of the Republic of Ecuador

11. The session was held in Mexico, the Group taking as the basis for its work the report prepared by the secretariat on Possible alternatives for the establishment of the Latin American regional market (E/CN.12/C.1/WG.2/7).^{2/}
12. The Group made a series of recommendations, for transmission to the Trade Committee at its second session, concerning the structure and basic principles of the Latin American Common Market.^{3/}
13. In presenting these recommendations, the Group expressed the view that if member Governments should at the eighth session of ECLA give their general approval to them, the secretariat could then prepare, in close collaboration with the Governments concerned, an initial common market draft agreement which would help to bring together those countries interested in putting the idea into immediate effect. The recommendations deal with the possible structure of the common market, including its objectives, its juridical form, the customs and liberalization régime to be instituted, the classification of products, the programme for the first stage, the régime for relatively less developed countries, the size of the market and initial groupings, specific complementarity and specialization agreements, treaties on trade or economic matters not covered by the agreement, most-favoured-nation treatment, and a proposed Committee on Trade Policy and Payments composed of representatives of all the member countries, to be set up to carry out the negotiations arising from the agreement.
14. The Group felt that the structure recommended for the establishment of the Latin American common market should be supplemented with a series of guiding principles covering various aspects of the actual operation of the market, so as to ensure the successful attainment of its aims.

^{2/} In addition to the report of the Central Banks Working Group (E/CN.12/WG.1/10/Rev.1), the secretariat presented several draft working papers and two other documents: Inter-Latin American Payments (E/CN.12/C.1/WG.1/8) and Government policies affecting private foreign investment in a Latin American regional market (E/CN.12/C.1/WG.2/9).

^{3/} Recommendations concerning the structure and basic principles of the Latin American common market (E/CN.12/C.1/WG.2/10/Rev.1).

/Accordingly, it

Accordingly, it recommended the adoption of a number of principles - which, it suggested, would have to be worked out in further detail during the negotiations required for the adoption of the agreement itself - on the following points: reciprocal trade benefits of the common market, stability in reciprocal treatment, determination of the origin of goods, equalization of customs duties, co-ordination of trade policy, special programme for the reduction of high customs duties, rules of competition, measures to remedy balance-of-payments disequilibrium, emergency measures (safeguard clauses), customs and statistical co-ordination, participation of representatives of economic activities, and the payments régime.

Meetings of experts on trade policy

15. In addition to the meetings of the two working groups, just described, the work on the common market has led the secretariat to convene ad hoc meetings of experts on trade policy. So far two such meetings have been held, one at Santiago in August 1958, attended by experts, acting in their private capacity, from Argentina, Brazil, Chile and Uruguay, and a second at Bogotá in November 1958, attended by experts from Colombia, Ecuador and Venezuela.

16. The first group of experts will meet again at Santiago at the beginning of April, while the second will meet at Caracas at the end of the same month.

17. The purpose of these meetings has been to discuss practical problems arising in the course of the preparatory work for the second session of the Working Group on Regional Market and for the second session of the Trade Committee.

CENTRAL AMERICAN ECONOMIC CO-OPERATION COMMITTEE

Fifth session: 3 - 10 June 1958

Chairman: Mr. Fernando Villar (Honduras)

Rapporteur: Mr. Enrique Delgado (Nicaragua)

18. The Central American Economic Co-operation Committee held its fifth session at Tegucigalpa, Honduras, in June 1958. As a result of this session, the plenipotentiary representatives of the Central American

/countries signed

countries signed the Multilateral Treaty on Central American Free Trade and Economic Integration, the Convention on the Régime for Central America's Integration Industries, the Central American Agreement on Road Traffic and the Central American Agreement on Uniform Road Signs and Signals. The Multilateral Treaty, which was to enter into force on ratification by three countries, has so far been ratified by the legislative assemblies of El Salvador, Guatemala and Nicaragua. This Treaty marks an important stage in the work for the economic integration of Central America, and is the culmination of six years of effort and research by the secretariat.

19. At the same session, the work carried out under the Integration Programme since the fourth session was approved, and fresh lines of policy were laid down for the Programme, which has now entered on a new stage of more specific action promising more immediate results. The Committee also reviewed the work of the various sub-committees and ad hoc meetings through which the Programme, with the assistance of the secretariat, is being carried out, and in accordance with the findings of the latter meetings decided to set up new sub-committees on electric power, housing, building and planning, and transport.^{4/}

20. During the period under review, the following sub-committees have met:

Central American Sub-Committee on Statistical Co-ordination

Fourth session: 20 - 24 May 1958
Chairman: Mr. Adolfo Lola Blen (Nicaragua)
Rapporteur: Mr. Francisco Molina (El Salvador)

Central American Trade Sub-Committee

Fifth session: 3 - 12 September 1958
Chairman: Mr. Alberto Fuentes Mohr (Guatemala)
Rapporteur: Mr. José María Castillo (Nicaragua)

Central American Sub-Committee on Transport

First session: 22 - 29 September 1958
Chairman: Ing. José Luis Montiel (Nicaragua)
Rapporteur: Mr. Enrique Soto Borbon (Costa Rica)

^{4/} In addition to its existing sub-committees on trade and statistical co-ordination and its Industrial Initiatives Commission.

Central American Sub-Committee on Housing, Building and Planning

First session: 28 - 31 October 1958
Chairman: Mr. Rodrigo Carazo Odio (Costa Rica)
Rapporteur: Mr. Alfredo Pinillos (Guatemala)

The activities of these subsidiary bodies are described below.

Central American Sub-Committee on Statistical Co-ordination

21. At its fourth session, held at Managua, Nicaragua, the Sub-Committee on Statistical Co-ordination reviewed and evaluated the progress made in the field of statistical co-ordination.

Central American Trade Sub-Committee

22. The Central American Trade Sub-Committee held its fifth session at San José, Costa Rica in September 1958. On the basis of the background documents prepared by the secretariat and of the detailed negotiations carried on at the consultative meeting held at San Salvador, El Salvador, in April, the Sub-Committee agreed on the equalization levels for import taxes (duties) on a large number of the articles covered by the Multilateral Treaty on Free Trade and Economic Integration. A first Central American convention on customs equalization, covering approximately half the commodities listed in the annex to the Treaty, was drafted and recommended to Governments for signature. Finally, the Sub-Committee recommended various forms of action to be taken through the secretariat and the Chairman of the Central American Economic Co-operation Committee, with a view to expediting the signature of the convention. The eight resolutions on these matters which were adopted by the Sub-Committee may be found in the report of the session (E/CN.12/CCE/156).

Central American Sub-Committee on Transport

23. At its first session, held at Managua, Nicaragua in September 1958, the Central American Sub-Committee on Transport approved for experimental use in Central America a complete set of technical specifications for road and bridge building. Their text, together with the corresponding resolutions, may be found in the report of the session (E/CN.12/CCE/SC.3/3).

Central American Sub-Committee on Housing, Building and Planning

24. The first session of the Sub-Committee on Housing, Building and Planning was held at San José, Costa Rica, from 28 to 31 October. Particular stress was laid on the importance of developing free trade in building materials and equipment and of establishing industries for the supply of such materials, within the economic integration programme. The Sub-Committee's work programme for 1958/59 was approved; it includes (a) the preparation of a Central American inventory of industries producing building materials; (b) a study of the Central American common market for building materials and of development prospects for integration industries in this sector; (c) the standardization of building materials and the establishment of appropriate standards; (d) studies on building costs; (e) the assembly and analysis of legislation on physical planning; (f) the development of standards for a minimum dwelling in a typical zone of each country, and the preparation and exchange of designs based on these standards. Finally, there was discussion of probable future technical assistance needs in the fulfilment of the programme, and of the co-operation which would be required from national bodies.
25. The conclusions reached were incorporated in four resolutions, which are included in the report of the session (E/CN.12/CCE/159).

B. OTHER ACTIVITIES

26. This section deals with those of the secretariat's activities which are not directly connected with the work of the subsidiary organs listed in Section A above.

CURRENT ECONOMIC ANALYSIS DIVISION

Annual economic survey

27. The Survey for 1958, like the previous one, concentrates in the first place on the impact on Latin America of trends outside the region. It goes on to analyse developments in Latin America at the country level, and briefly reviews recent internal trends in the region as a whole. Particular attention is paid, in special annexes, to agreements covering coffee and other Latin American products; to United States quotas on

/imports of

imports of petroleum, lead and zinc; to trade with the Soviet Union and Eastern Europe; and to development projects in vehicles, steel and the other heavy industries in Latin America.

The foreign exchange problem

28. The continued weakness of commodity markets after the almost complete recovery of the United States from its recent recession shows that the falling off in Latin America's earnings from exports was primarily due not to that recession but to more fundamental causes, namely, the slowing down in the rate of growth of the whole group of industrial countries since 1955, and the increasing tendency of these countries to protect agricultural and mineral producers (including those in dependent territories) against foreign competition.

29. Since, however, the economies of Latin America continued to grow, their import demands still rose. The conflict between this trend and the static or falling trend in exports led to balance-of-payments problems of growing severity. Moreover, the inadequate supply of imported goods relative to needs aggravated inflationary tendencies, even though these had their origin in unbalanced programmes of development and misguided economic policies, especially in fiscal and monetary fields.

30. In an attempt to cope with these interlocking problems of internal and external imbalance, a number of Governments adopted policies which, directly or indirectly, had the effect of slowing down the rate of growth; and this has now fallen to low levels, reflecting the slowing down in the United States and Western Europe.

31. United States imports of Latin American products withstood the recession surprisingly well, with virtually unchanged volume, though prices were lower. The internal demand for metals fell off very rapidly because the recession affected particularly the industries producing capital goods and consumer durables, and because strategic stockpile purchases almost ceased; but it seems that United States processing companies (especially in steel) preferred to obtain materials from their low-cost mines overseas; and the same applied to petroleum companies. Following pressure from domestic producers, excise duties were levied in

/the United

the United States on copper imports, quotas were imposed on lead and zinc imports, and the voluntary quotas on petroleum were first tightened and then (in March 1959) made compulsory. Imports of Latin American foodstuffs into the United States still grew, reflecting the continued rise in standards of living despite the recession. The region increased its sugar exports to the United States sharply (although this was mainly due to low output in Hawaii and Puerto Rico). The high proportion of total Latin American exports to the United States accounted for by foodstuffs and petroleum, United States imports of which generally maintained their volumes and prices, helps to explain the relatively small impact of the recession.

32. The decline in imports by Western Europe was much larger. West European economies tended either to grow at a slower rate in 1958 (West Germany and Italy), or to experience a mild recession (Belgium, the United Kingdom and - in the second half of the year - France). The volume of their total imports of primary products levelled off, and the Latin American share declined to some extent. This was due partly to a general loss of markets in France and partly to the fall in imports of Venezuelan petroleum (especially by the Netherlands), which had been abnormally high in 1957 owing to the closing of the Suez Canal. In other respects, imports of Latin American foodstuffs and materials - like output in Western Europe - showed no clear general trend, and development in individual items reflected changes in inventories or in European harvests. Better crops of sugar beet caused big declines in imports of cane, especially by West Germany (and, of course, in contrast to United States purchases, West European imports are purchased at free market prices, which declined).

33. The fact that expansion in the industrial countries has not continued is reflected in the depressed state of commodity markets, though each of these is also affected by forces acting on it alone. Thus, the coffee market has been overshadowed by a growing surplus, and although the retention scheme has prevented a collapse, prices have continued to drift downwards. Now that the sugar shortage has ended, prices in the free market have declined to a figure near the minimum laid down in the

/international agreement,

international agreement, and export quotas are being cut. Large crops in Western Europe reduced the demand for cereals in international markets, and the particularly heavy wheat harvest in the United States affects the prospects of a recovery. Of the major Latin American export commodities, only meat (because of reduced slaughtering in the United States) and cocoa (small crops in West Africa) showed net price rises in the year. Prices of cotton and wool were weak because in the countries in which recessions occurred the output of textiles was reduced. Finally, non-ferrous metal prices fell precipitously until the middle of the year, except for tin, the price of which was supported by buffer stock purchases (until these were suspended in September) and by export quotas. Markets for the other metals reflected the recession and recovery in total world industrial output, because the dip was largely concentrated in the metal-using industries, and its effects were aggravated by inventory changes. Copper prices fluctuated in both directions with particular severity. Since downward movements predominated, the average prices of total Latin American exports fell throughout the year, and there was no general recovery in evidence in early 1959.

34. Although the contraction in world trade brought a reduction in shipping freights which to some extent offset the effect of falling prices, the value of the region's exports fell by about 700 million dollars (or 8 per cent). For many Latin American countries they had already fallen slightly in 1957, but the total foreign exchange available to the region continued to rise in that year because of increased inflows of capital (especially to Venezuela). But in 1958 there was no longer such a large inflow of private capital: the development of Venezuelan petroleum concessions dropped sharply, and there was apparently some decline in direct private capital investment by foreigners in the rest of the region. The flow of medium-term credit to finance imports of capital goods no longer continued to grow, and the increased inflow of public capital was offset by higher amortization payments. As a result, the region's capital account, even excluding Venezuela, no longer made up for weaknesses in exports.

/35. There

35. There was thus a severe decline in the exchange available for imports, which were reduced by nearly 1 billion dollars - of the twenty republics only Paraguay appears to have imported more in 1958 than in 1957. Since in many cases imports had already been cut to the minimum necessities of materials and equipment, the attempt to reduce them further put great pressure on foreign exchange markets, a number of which were in process of being liberalized. The effective exchange rates for imports increased sharply in the course of the year - notably in Argentina, Brazil and Chile (with a particularly large rise in Argentina when the exchange system was reformed at the end of the year). Moreover, systems of prior deposits were increasingly used, as a substitute for direct controls and special exchange rates, to limit imports of non-essentials.

36. But despite such checks on imports, large deficits remained in the balances of payments of several countries. The total deficit of the region was over 900 million dollars, of which nearly 400 millions were accounted for by Venezuela. The Venezuelan deficit was financed by depleting the country's foreign exchange and gold reserves, and the reserves of the rest of the region also fell, by over 200 million dollars, to levels which are now critically low. Moreover, many nations were compelled to raise further short-term loans, mainly from the Export-Import Bank and private United States banks.

The internal situation

37. Given the world economic trends just outlined and the fact that external income is the principal dynamic factor in Latin America's economy, it is not surprising that the rate of growth of the gross product should have slowed down in 1958, increasing by only 3 per cent as against 5 per cent in 1957. If population growth is taken into account, the per capita product remained at a standstill, as did per capita gross income. Per capita goods and services availabilities, only did increase by 1 per cent, but this took place at the cost of a marked disequilibrium in the external goods and services balance.

38. A number of internal factors helped to neutralize the depressive effects of the external sector. In some important Latin American

/countries, demand

countries, demand for domestic goods tended to maintain or exceed the figures recorded for the preceding year - which explains the trend in the regional gross product indicated above. These countries registered increases in the four components of domestic demand: external demand measured in internal monetary units, investment, public expenditure and expenditure on consumption of domestic goods. The internal repercussions of the fall of 700 million dollars in external demand were offset by the compensatory policies adopted by certain countries, consisting in the devaluation of the exchange rate for some exports, export subsidies or Government financing or purchases of surpluses. Measures of this kind were applied in Argentina, Brazil, Mexico, and, during the first months of the year, Colombia. Gross investment exceeded its 1957 level (excluding Venezuela, where petroleum investment declined) thanks to the efforts which are being made by several countries to achieve substitutes for imports, and to official projects for developing the basic sectors of the economy. Public expenditure maintained the same high levels almost without exception, thereby giving rise to large budget deficits. Consumption expenditure, which is chiefly determined by the level and distribution of income, also showed an upward trend. However, this nominal expansion was absorbed in a number of countries by inflationary rises in prices.

39. Nevertheless, inflation remained confined to the same countries as in the past, although in some - Argentina, Brazil and Uruguay, for example - prices rose at a more rapid rate. The same factors which had played a part in the inflationary process in past years continued to operate, i.e. the relative inelasticity of aggregate supply, structural maladjustments between supply and demand, and excess demand in certain countries. Moreover, in some other countries, such as Argentina, Brazil, Mexico and Uruguay, costs increased as a result of rises in nominal wages and currency devaluation.

40. In order to mitigate the effects of these inflationary factors, some countries - Bolivia and Chile in particular - continued to apply their past policies of containing national expenditure. In other countries anti-inflationary measures were also adopted, but were not carried out

/as strictly

as strictly as they should have been. At the end of 1958, Argentina announced a drastic anti-inflationary policy to be introduced early in the following year. Nevertheless, prices continued to rise more or less rapidly in every country where inflation had already gained momentum.

41. The behaviour of the major sectors of production - agriculture, manufacturing industry and mining - showed divergent trends in 1958. Production in the last farm year was 4 per cent greater than in 1956/57 - in per capita terms, 1 to 2 per cent greater. In nearly every Latin American country, harvests for the last year were larger than in the preceding year. There were two main reasons: generally good weather conditions, and efforts in recent years to improve the technical level of agricultural work, especially as regards export crops. This also explains why production for export was once more mainly responsible for the increase in the over-all agricultural index for 1958. If the results for 1957/58 are analysed in the light of the composition of production, particularly its two important branches - crop and livestock farming - crop farming will be seen to have progressed and stock farming to have stagnated once again: the agricultural quantum rose by 5 per cent, whereas the livestock quantum remained stationary, as in 1950-54. In 1957/58, important changes took place in the composition of crop production. Less bread grains - wheat and rye - were grown in Latin America as a whole, while the output of other grains - maize and oats - increased appreciably. Unusually large increases were also recorded for sugar and coffee.

42. In the manufacturing sector, the rate of growth of production, after slackening temporarily in 1957, regained the intensity recorded in 1956. This change was due to the development of the dynamic industries; the industries producing goods for current consumption were scarcely able to keep pace with the population growth.

43. The dynamic industries continued to gain momentum in 1958, although their importance in Latin American industry as a whole is still small. The necessity for import substitution (resulting from limited capacity to import), industrial re-equipment requirements and long-term projects in the basic sectors have combined to provide the stimuli which these
/industries need

industries need for their growth. Moreover, they have been able to draw on national financial resources, and in addition receive a considerable share of the inflow of external finance.

44. In 1958 the iron and steel industry recovered its former rate of growth for steel making and rolling, but the gap between steel making capacity and pig iron production capacity was maintained and even slightly widened. The ratio of pig iron production to steel making changed from 80 per cent in 1951 to 63 per cent in 1958. On the other hand, progress is being made on several undertakings, chiefly in Argentina, Brazil and Mexico.

45. The metal transforming industry in general - one which in its simplest form is deeply rooted in Latin America - is advancing, especially in Argentina, Brazil and Mexico, towards more complex lines of production in certain branches, such as machine-tools, mechanical, electrical and electronic equipment, etc.

46. The motor vehicle and tractor industry is being intensively promoted in Argentina and Brazil. The progress being made in these countries is evidenced not only by the number of units constructed but also by the increasing utilization of domestic parts and materials, the production of which implies the establishment or strengthening of important auxiliary industries. Mexico has a large-scale project for motor vehicles, and Chile is progressing in the field of tractor production.

47. In mining, the depressive trends of the preceding years continued in 1958, in line with the development of the world economy. Although the volume of Latin American production was not in general affected, the fall in international prices led to a reduction in income from mining and affected the capacity to import.

48. In 1957, petroleum was the only item which escaped the predominantly downward trend. In 1958, it not only suffered a fall in prices but the level of production dropped, as a result of the events in Venezuela. On the other hand, the countries producing petroleum for their own consumption registered increases, some increases as in Brazil and Chile being spectacular. Argentina signed important agreements with foreign

/companies as

companies as a step towards self-sufficiency in this branch. Copper - which was deeply affected in 1957 by the weakening of the external market - showed a decline in production, although prices rose from the middle of the year. The situation in lead and zinc remained much the same as in 1957.

49. In electric power, the limited supply of which is a serious obstacle to many countries' economic development, only relative progress was made in 1958, but important projects and undertakings are under way to improve the supply in the next few years.

Economic Bulletin for Latin America

50. Two issues of the Bulletin were published in the course of 1958, thus completing volume III. The second issue (vol. III N° 2) ^{5/} contained articles on Latin America's foreign trade in the first half of 1958 and on the evolution and prospects of the international banana market. For the first time, moreover, a statistical supplement was included; such supplements are planned as a permanent feature of future Bulletins.

51. Volume IV, N° 1, which it is hoped will be published in time for distribution at Panama, contains an article on progress towards the Latin American common market based on the report of the second session of the Working Group on the Regional Market; some observations on the industrial development of Peru; a paper on the problem of economic development in Argentina; and the statistical supplement.

^{5/} The contents of vol. III, N° 1, were described in the last annual report (E/3091).

ECONOMIC DEVELOPMENT DIVISION

52. Increasing emphasis has been placed during the year on studies designed to serve as background material for the work on the common market. Work on individual country studies has been concentrated on the Central American countries (Costa Rica, El Salvador, Honduras y Panama) and on the final revisions for the printed edition of the study on the economic development of Argentina.

Projections of economic growth in Latin America and
its implications for the common market

53. In this study (E/CN.12/C.1/9) a preliminary analysis has been made of the demand for and sources of supply of capital goods and other selected products in the Latin American economies up to 1975. The prospects of growth of the traditional export products are also examined, together with possibilities of foreign financing and import substitution. Finally, there is some discussion of the level of inter-Latin American trade that might have to be reached in order to sustain the historical rate of growth of the Latin American economies.

54. The study includes projections of the national product, consumption and investment for the region as a whole over the period 1955-75. In addition an effort is made to determine the production, imports, exports and domestic consumption of a large number of agricultural commodities.

Studies on the economic development of the Central American
countries and Panama

55. As a result of research and analysis carried out during the past year by the secretariat of the Mexico Office of ECLA, in close collaboration with national working groups appointed for this purpose by the Governments concerned, studies on the economic development of Panama (E/CN.12/494) and El Salvador (E/CN.12.495) together with a progress report on the work on Honduras (E/CN.12/496). Frequent contacts and close collaboration has been maintained with the Economic Development Project undertaken by the University of Costa Rica, which is now at an advanced stage.

/It is

It is planned to begin studies on the economic development of Nicaragua and Guatemala during the course of 1959, on the same basis of collaboration with Governments through national working groups.

56. The study on Panama draws attention first to the impetus to growth which resulted from the boom in the activities of the Panama Canal Zone during the Second World War. It goes on to analyse the way in which the contraction of external demand and the maintenance and later expansion of private consumer expenditure, private investment and public expenditure brought about a process of growth in the productive sectors oriented towards the internal market. Study of the post-war period thus reveals the important transformation which has taken place in the economic structure of the country despite the obstacles deriving from its traditional orientation.

57. On this basis, the prospects for the future are explored. For this purpose, Panama's external demand is projected, in an attempt to determine what proportions it will assume over the next ten years. This analysis includes not only traditional goods but also transactions connected with the international transit of goods and persons - in particular, tourism - and sales of goods and services to the Panama Canal Zone. The main structural and institutional characteristics of the economy, in which some of the main obstacles to future growth may be found, are also thoroughly explored.

58. These sections of the study make possible a first aggregate projection, which indicates the presence of stationary trends. A second projection is therefore made, both aggregate and by sectors, to illustrate what changes would be needed and what would have to be done to raise the average standard of living over the decade 1956-1966.

59. The study of El Salvador also consists of two parts, one of analysis and the other of projections. In the first, the rapid growth of El Salvador's economy during the period 1945-1957 is described. The causes of this growth are then analysed, with emphasis on the essential role played by external demand. In this context, the favourable situation of the world market for coffee and, to a lesser extent, cotton is stressed. Among other factors of growth, attention is drawn to the part played by public investment and to the development in the most recent years of an active private investment
/sector.

sector. Finally, the growth which has taken place in each productive sector is analysed, stress being laid on the dynamic nature of the industrial sector.

60. In the second part, the growth of the Salvadorean economy is projected up to 1967. International market prospects for the traditional export commodities are analysed first. On the basis of these projections, which are not favourable, some indication is given of the tremendous effort towards import substitution and exports diversification which would have to be made by El Salvador's economy to maintain the rate of growth observed in recent years, or even the levels of consumption already reached. The consequences of this projection are broken down by sectors of production, special attention being given to the expansion of the Central American market in projecting both exports and imports.

ECLA/TAA Economic Development Training Programme

61. The regular 1958 programme at Santiago began on 30 June, 1958 and ended on 28 February 1959. In addition to the nine fellowships awarded out of UNTAA regional funds (two each to Chile and Honduras and one each to Colombia, El Salvador, Mexico, Paraguay and Peru), the Government of Venezuela financed four participants and the Governments of Brazil and Cuba one each, while the Governments of Costa Rica and Yugoslavia obtained fellowships under the United Nations general fellowships programme. In addition, two Chileans attended the Programme on their own account.

62. Professor Hollis B. Chenery of Stanford University gave a series of lectures on linear programming, followed by a number of seminars. In addition, Mr. Jean Fourastié, the well-known expert on productivity, was kindly released by the French Government to lecture at the Santiago course on productivity and economic development.

63. In 1958, as in 1957, an intensive training course was held at Rio de Janeiro, from 4 August to 7 November. Some fifty economists and Government officials participated in the course, mainly on a full-time basis. The curriculum included lectures on the financing of economic development, investment projects, administration, regional and locational analysis, the role of agriculture in Brazil's economic development, the programming of

/economic development

economic development and social accounting. In addition, lectures were delivered by Brazilian professors on matters of specifically national interest, such as mineral resources and industrial and population problems.

64. A second intensive course was held during the year at Buenos Aires from 1 October to 23 December. It was attended by some seventy participants from several Government agencies, and included lectures on social accounting, the financing of economic development, programming techniques and investment projects. Several lectures were given on specifically Argentine problems in such fields as agriculture, manpower and energy resources, and a full discussion was held on the ECLA study on the economic development of Argentina.

65. The Manual on economic development projects, based on material originally used in the training programme, was published during 1958. In view of the demand for teaching material employed in the various courses under the programme, it is hoped that manuals on other aspects of programming economic development may be published in the future.

INDUSTRIAL DEVELOPMENT DIVISION

Industrial development in Peru

66. Drafting of this study, the early part of which has been discussed with government officials and industrialists in Peru, was completed early in 1959, and it is anticipated that the printed edition will be ready for presentation at the eighth session. A summarized version has been printed in the Economic Bulletin, Vol. IV N° 1.

67. The study analyses the present situation and the future prospects of industry in Peru, in the light of the basic characteristics and problems of the Peruvian economy as a whole. Accordingly, the industrial analysis proper is preceded by an over-all investigation of the intensity and characteristics of the country's economic growth, the factors which have affected it and its probable future trends, the growth of population in Peru and the distribution of the labour force, and the main trends of exports, imports and movements of foreign capital, with some general references to the prospects of development of other sectors of the economy.

/68. The

68. The study then goes on to deal with the present rate of growth and the composition of industry in Peru, installed capacity and its utilization, the supply and productivity of labour, and the institutional framework within which industry is developing (protective policies, credit and tax policies, etc.). A detailed projection of demand for 1965 by industrial sectors and products is followed by an analysis of the degree to which it will be possible to meet this demand from imports and from domestic production; and in the latter case some suggestions are made as to the lines which will have to be encouraged and the skilled and unskilled labour force and investment which will be needed.

Motor vehicle industry

69. The preliminary findings of the study on the motor vehicle industry in Brazil were delivered to the Government of Brazil in September 1957, and the revised study will be ready for comment and criticism by that Government at an early date.

70. Plans are now being made to capitalize on the experience gained in this work to proceed with an over-all study of the motor vehicle industry in countries where such an industry has already been established or where plans to establish it are in hand. In order to determine the size of the market needed for the economic manufacture of motor vehicles and the degree of general industrial development required to sustain the industry, a study will first have to be made of the market and the projected demand for motor vehicles in all the countries in question, and possibly in the region as a whole, with separate reference to cars and lorries. It will then be desirable to undertake an analysis of manufacturing costs as affected by the scale of operations, with a view to determining to what extent certain operations and more important manufactures should be undertaken. Finally, a general economic evaluation will have to be made of the programme emerging from the above studies.

Industrial inventory

71. As part of the secretariat's programme relating to industrial studies of interest in connexion with the common market, an inventory of Latin American industry is being prepared, with particular emphasis on capital goods and durable consumer goods. This inventory will be brought up to

/date periodically

date periodically and circulated to Governments and interested bodies, and will enumerate and describe the activities carried on in the various Latin American countries offering prospects of greater regional trade and integration.

72. The inventory will also be useful as a basis for better selection of sectoral studies, in which the prospects for given industries are analysed in greater detail from the standpoint of the regional market. Some preliminary information of this type was submitted to the recent session of the Working Group on the Regional Market and this has since been expanded for the eighth session (E/CN.12/524) to include material on Brazil and Colombia.

Chemical industry project

73. The pilot study on chemical industries in Chile is being carried out as a joint project with the Corporación de Fomento de la Producción. Some of the preliminary findings of this study have been summarized (E/CN.12/525), with a brief description of the methods used; and the study as a whole is planned as part of a programme covering the chemical industries in Latin America as a whole.

Railway equipment

74. Within the context of the studies required for the work on the common market, the secretariat undertook in 1958 a short study on the complementation possibilities of industries manufacturing railway material and equipment. A meeting of railway industrialists and railway and Government observers was then convened at Cordoba, Argentina, from 2 to 6 March. Its main purpose was to bring industrialists, railwaymen and Government officials together to discuss problems of common interest, in particular ways and means of ensuring the integrated development of the railway equipment industry in Latin America. The meeting thus constituted a new departure for the secretariat, the past meetings of industrial experts having been convened to discuss specifically technical problems arising in the various industries.

ECLA/FAO/TAA Pulp and Paper Advisory Group

75. A short progress report on the work of the Group (E/CN.12/506) is being submitted to the Commission at its eighth session. During the year under review, field work has been done in Mexico, Ecuador and Venezuela, and first drafts of the respective reports have been completed. These must now be submitted to Governments before publication for comment and criticism.
76. Material assembled in Peru is being brought up to date with a view to presenting a consolidated report on the pulp and paper situation in that country, including all recent developments.
77. The field work has already been done in Brazil, and the Group has completed its findings, the first part of the relevant study having been published in Brazil in 1958. There is, however, a pending request from the Government for further co-operation in connexion with some matters of importance for future development.
78. Other requests which will be met in 1959 were received from the Governments of Colombia and Surinam, and from the Province of Buenos Aires, Argentina.
79. The keen interest in the work of the Group shown by Governments in the region may be due to the rapid expansion which is taking place in the industry. Between 1956 and 1958 pulp production rose from 463 000 to 612 000 tons, newsprint production from 59 000 to 118 000 tons, and other paper and board production from 1 094 thousand to 1 373 thousand tons.

PROGRAMME OF ENERGY AND WATER RESOURCES

80. During the year under review, staff effort in this field has been concentrated on the work of the Water Resources Survey Group, a joint ECLA/TAO/WMO project. First drafts of the pilot study on Chile (E/CN.12/501/Add.1) were completed in 1958, following which the Survey Group spent several weeks in North Patagonia (Argentina) studying water resources in the region and their use for purposes of economic development. The Group's reports on North Patagonia have now been completed, and work is proceeding on the over-all economic development of the region. The relevant study should be /completed in

completed in the second half of 1959.

81. Subsequently, the Group spent two months in Ecuador, surveying hydro-logical and meteorological services, hydro-electric potential and the multi-purpose use of water resources. The drafting of the Ecuador study is nearing completion, and it will be presented to the Government of Ecuador for comment immediately after the Commission's eighth session.

82. Towards the end of 1958, a questionnaire on water resources was sent to all Latin American Governments, and on the basis of the replies received, the secretariat has prepared a general introductory paper on water resources in the region and their utilization, with a summary of the conclusions of the studies so far carried out by the Group.

83. A request for the Group's services during 1959 has been received from Venezuela, and plans are currently being made to meet it. The Central American Economic Co-operation Committee has also expressed interest in a water resources survey being carried out in the Central American countries, with a view to the integrated use of such resources.

AGRICULTURE

Joint ECLA/FAO Programme

84. During the past year, work under the Joint ECLA/FAO Programme has been concentrated along two main lines: studies on the role of agricultural commodities in the proposed Latin American common market, and the continuance of the coffee survey.

85. Commodity studies. So far, seven commodities have been studied (dairy products, oils and fats, wheat and wheat flour, meal, wool, cotton and fruit), and a general introduction based on the findings has been prepared. In addition, preliminary versions of three of the studies were prepared for the second session of the Working Group on the Regional Market. The first stage has in each case been to make a preliminary examination of prevailing conditions in the region, as they affect the countries in question, and of prospects for expanding production. This provides the basis for the second stage (to be carried out in the second half of 1959), consisting of basic studies of factors impeding or encouraging development, the preliminary examination having already brought to light the existence of a series of structural /problems which

problems which act as a brake on production.

86. Coffee survey. The first part of this survey was completed in 1958 with the publication of Coffee in Latin America - productivity problems and future prospects. I. Colombia and El Salvador.^{6/} The second part, relating to Brazil, is still at the field-work stage. The study on El Salvador covered 1 126 farms and that on Colombia 12 148 farms. In both cases, the sampling method was used. The work on Brazil has been expanded to include not only what is termed a "censual" sample but also a special case study of 48 farms with enquiries into labour productivity, farm management methods and competition for existing production resources. The study covers 1 700 farms, again selected on the basis of statistical sampling techniques.

87. Once the Brazilian study has been completed towards the end of 1959, a third part of the coffee study will be prepared, dealing with the general problem of coffee in Latin America.

TRANSPORT SECTION

88. Since its inception, the ECLA Transport Section has carried out studies on transport in Argentina, Bolivia and Colombia within the framework of the work on the general economic development of these countries. In the last two years, the major part of the Section's time and limited personnel resources has been devoted to the study on transport in Argentina. The relevant report contains a detailed survey and analysis of the present state of transport in that country and of the material and financial prerequisites for its rehabilitation and modernization over the next ten years as a basis for the future economic development of Argentina.

89. Considerable attention has also been given, in close co-operation with the former UNTAA Office for Latin America, to questions of technical assistance in the region. Co-operation in this respect has taken the form of advice to the TAA in connexion with requests from Governments for technical assistance and with the recruitment and briefing of experts, applications for fellowships and scholarships, and annual technical assistance programmes;

^{6/} United Nations publication, sales N° 1958 II.G.4.

in addition, comments have been made where appropriate on progress and final reports by technical assistance experts in the field of transport. Special mention may be made of the technical assistance mission of eight railway experts to Argentina; the report of this mission together with the ECLA transport study will, it is hoped, be a useful contribution to the re-organization and modernization of the Argentine railways.

Transport and the common market

90. In December 1958 a study was begun on transport needs and the development of transport as related to the gradual establishment of a Latin American common market. As the great bulk of Latin America's external trade, both intra- and extra-regional, is carried by sea, emphasis in this connexion will be placed on problems of maritime transport and port facilities. This will necessitate further analysis of the matters dealt with in the first ECLA study on maritime transport.^{7/} However, due regard will also be paid to problems of inland transport (by rail, road and water), taking into account the vital role of the latter in providing transport connexions in the "hinterland" of ports, its significance for countries without direct access to the sea, and the importance of improved inland transport for the promotion of regional trade by land (including inland waterways). In connexion with this study, the Transport Section will in the future devote greater attention than has until now been possible to matters relating to the promotion of international air, rail, road and water traffic and transport in the area.

TECHNICAL ASSISTANCE

91. Close co-operation has been maintained during the year between the ECLA secretariat and the Office for Latin America of the United Nations Technical Assistance Administration (now Bureau of Technical Assistance Operations). The forms which this co-operation has taken are similar to those described in the Commission's last annual report (E/3091). The secretariat has reviewed job descriptions relating to experts required in

^{7/} Study on Inter-Latin American Trade, Chapter VI (UNP Sales N° 1956.II.G.3).
/different countries

different countries, has assisted in the subsequent briefing of the experts selected to fill the posts, and has read, and where necessary commented on, the experts' reports.

C. RELATIONS WITH SPECIALIZED AGENCIES AND OTHER ORGANIZATIONS

92. Wherever ECLA's work has touched that of United Nations specialized agencies or other organizations, the closest contact has been maintained by the secretariat with the agency concerned. In particular, the secretariat has worked closely with the Food and Agriculture Organization of the United Nations (FAO), not only in connexion with agricultural questions, for which there is a joint ECLA/FAO Programme, but also in the ECLA/FAO/TAA Pulp and Paper Advisory Group. Contacts and collaborations have also been maintained with other organizations.

Specialized agencies

93. During the past year, co-operation with the specialized agencies has been most active in connexion with the Central American Economic Integration Programme. At the fifth session of the Central American Economic Co-operation Committee, representatives attended from the International Labour Organisation (ILO), the Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Monetary Fund (IMF), and the International Bank for Reconstruction and Development (IBRD). Moreover, these agencies have collaborated actively with the secretariat in various phases of the work relating to the integration programme.

94. In addition to the direct co-operation with FAO mentioned above, the secretariat sent an observer to the fifth regional conference of FAO held at San José, Costa Rica, in November 1958. The secretariat also collaborated with FAO in the organization of a Center on Food and Agriculture Price Stabilization and Support Policies in Latin America, held at Santiago from 23 February to 6 March 1959.

95. The Water Resources Survey Group has continued to benefit from the co-operation of the World Meteorological Organization (WMO), which has provided the services of an expert lent through TAA and has been of the greatest

/assistance in

assistance in offering critical comments on the reports of the Group touching on meteorological questions.

96. Liaison has been maintained with the International Atomic Energy Agency (IAEA), and ECLA was invited to send an observer to accompany the Mission sent by the Agency to Latin America to study the possibilities for establishing an atomic energy training centre or centres. Other forms of collaboration are currently being explored, in view of the interest in nuclear energy problems evinced by the Commission at its recent sessions.

97. Liaison has continued with UNESCO in connexion with a joint ECLA/UNESCO project to investigate methods of teaching economics in Latin America.

98. The secretariat has continued to maintain close contact and to carry on exchanges of information, mainly through its Washington Group, with the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD). In addition, the secretariat has co-sponsored, with the Bank, a study prepared by the Harvard Law School on problems of the electric power industry in Latin America.

Organization of American States

99. The secretariat has continued to co-operate and to co-ordinate its work with the secretariat of the IA-ECOSOC.

100. The Co-ordination Committee created under ECLA resolution 31 (IV) met in Washington during the month of October 1958, and is expected to meet again before the beginning of the Commission's eighth session.

101. The secretariat will present at that session a full report (E/CN.12/515) on its relations with the Organization of American States during the period under review.

Other international organizations

102. In its work on payments, the secretariat has been assisted by the Organization for European Economic Co-operation (OEEC), which lent one of its staff members to act as a consultant to ECLA during 1958 and made it possible for him to attend the second session of the Central Banks Working Group. Exchanges of information have taken place between the secretariat and the European Economic Community and European Coal and Steel Community.

103. In the work on the Central American economic integration programme, the secretariat has continued to collaborate with the Organization of Central American States (ODECA) in matters of common interest.