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Rio de Janeiro, Brazil.

COMMITTEE V

Rapporteur's report

Gentlemen:

I. The main characteristic of the work performed by Committee V, which studied intra-regional Latin-American trade, was a constant theme pervading all our discussions.

This theme was the anxiety which all feel, in view of the separation existing between economic reality and the theoretical foundation which is supposed to be the basis for the logical explanation of events.

The notion of the ever-increasing distance between the succession of economic phenomena and the slow evolution of the theoretical system which explains them is not new. There is no doubt that some parts of economic theory, such as those referring to investment and income, have nowadays assumed a dynamic character. But it is not less true that static concepts, shockingly inconsistent with reality, are still to be found in a considerable part of the economic philosophy which has been our gospel for many years.

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The important thing, however, is that this situation produces consequences which affect the world economy as well as the regions or countries that form it.

The main consequence of the inconsistency of economic theory with modern developments, finds its expression in a heterogeneous system of economic policies. Contrary to what occurred in the past, commercial policy has now become unstable, variable and often contradictory. The insatiable demand for imports as reflected in balance of payments deficits and the necessity of redirecting trade according to foreign exchange availabilities, are examples of problems which challenge the insight of leaders in quest of solutions.

For each of these problems, for each step to be taken, for each emergency, there is the fundamental lack of an economic philosophy adequate to the speed of events and capable of influencing their future course.

The extemporaneous nature of the economic policy, through the lack of such a common denominator, is a disturbing element which is felt in each nation as well as in the world community.

In the special case of the under-developed countries of Latin America, such deeds assume a particular importance in view of the natural features related to the whole process of growth.

Therefore, one must look for the basis of a system which may make possible the dynamic and co-ordinated explanation of events.

It is not a problem of creating universal principles exclusively appropriate for Latin America. It is not a problem

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of "building new theories, but only of projecting recent events and facts into a dynamic system, which is to be changed in the parts necessary to that integration".

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It would be tiresome to list the circumstances which show the need for a dynamic interpretation of events. However, it is not too much to recall a few historic events, the careful analysis of which may reveal the existence of a certain homogeneous process of commercial policy.

The development of technology, which has taken place at such a quick pace in recent decades, stressed the feature of exponential curves in production. This technological development, however, was not uniform in all the countries in the world. It was concentrated in a few which, forced by urgent needs, found it possible to multiply their capacity to work by using modern techniques. The application of technology in those countries to meet domestic needs increased the volume of production in such a way that, once the domestic market was satisfied, it was found necessary to seek outlets for production surpluses in the form of exports to the consumer markets of other regions. So the foreign market played the role of a safety valve which tended to give stability to the process of continuous growth in the standard of living of the great world centres.

There is no doubt that this process in the great centres aided, to a certain extent, the economic development of the countries situated on the economic periphery. The rate of

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development on the periphery is increasing through the process of industrialization, which has been stimulated by the balance between the need to import and the limited capacity to pay. The replacement of imported manufactured consumer goods by domestic products was the first step in industrialization; the second step now being taken is the formation of a more complex industrial system capable of producing capital goods.

The maintenance and further development of this new industrial system depends on the importation of increasing quantities of goods and equipment from countries where technology is more advanced. The capacity for production of such high productivity equipment must have a safety valve in the form of an outlet to the foreign market which justifies the full use of that capacity in spite of the considerable increase in the domestic consumption of each of our countries.

Our foreign trade is, under such circumstances, one of the mainstays of the stability and expansion of the economic development of the Latin-American countries.

However, in spite of the fact that under-developed countries are importing, in general, the same production techniques of the industrialized countries, there is no doubt that their costs do not bear comparison. Imported productivity, in the form of equipment is only one factor contributing to the cost of production. The cost and productivity of local factors of production, such as labour and capital, differ sharply from those of the highly developed countries.

Geo-economic factors seem to indicate that our countries will find in Latin America an important export market, in view of the smaller difference existing between productivity in each Latin American country in relation to that existing between them and highly industrialized countries.

The realization of such possibilities can be achieved only by means of an analysis of the economic developments concerning us.

That is the task which the Secretariat of ECLA is requested to perform in the draft resolutions now submitted to the decision of this plenary session.

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Committee V, which dealt with the questions relating to intra-regional trade, held seven meetings to consider document E/CN.12/304. It set up a working group to draft and co-ordinate the proposals submitted to it. The members of the Committee, whose chairman was the representative of Paraguay, consisted of the following members: Argentina, Bolivia, Brazil, Chile, United States of America, France, Mexico, Paraguay, Peru and Uruguay.

II. The document that the Commission submits to the consideration of the plenary of this Session can be examined in this report by sections:

a) Trade and payments policy

In the first part of the document on trade and payments policy there is a fundamental recommendation which regulates the work entrusted to the Secretariat. The recommendation points out some aspects of the general problem of inter-Latin-American trade which most occupied the attention of the Delegates of Committee V.

The most important point in the whole document is undoubtedly to be found in the first recommendation. Here the need was stressed for expanding study of co-operation among the Latin-American countries in the field of economic policy concerning the possibility of finding practical solutions favourable to the development of inter-regional trade. As a corollary to this recommendation, the Secretariat is requested to study the possibility of laying the foundation for a commercial policy relative to the trade of those countries among themselves. The importance of such a conclusion, already stressed in our introduction, may be recalled here in order to say that it is a logical consequence of the joint and continued study which it is incumbent upon the Secretariat to carry out, according to the resolution adopted by the Fourth Session in Mexico in 1951.

In the indication of aspects of the whole problem, to which the recommendation refers, an attempt was made to indicate factors which affect more directly the present economic facts and relations among the different Latin-American countries. Those indications ranged from more general questions regarding the influence of foreign trade controls on Latin-American trade and problems arising from the machinery of payment, to administrative systems in general, which may affect one way or the other the trade between our countries, and opinions were expressed on their importance. In that same recommendation, in its last indications, the Delegates will find that, in pointing to the problems, an attempt was made to express the different  
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opinions voiced in Committee V on the possibilities of a greater inter-American trade, based on raw materials and manufactured goods which we already produce as well as those that we will soon be in a position to produce. As it can be seen by the different documents of the sessions of the Committee, there was no lack of manifestations of such immediate possibilities with regard to several countries. Such objective manifestations on the subject revealed the vital importance of a joint study which might permit a more accurate appreciation of the possibilities of the consumer and supplier markets of our countries. It was also taken into account that in undertaking analyses of this aspect of the problem of intra-regional trade in Latin America, the imports of Latin America from other countries should be borne in mind.

A point of considerable importance in the plans of development for each of our countries is the estimation of the industrialization goals in certain branches of manufacturing. Through the study of the specific problem of industrialized products and raw materials, objects of present intra-regional trade in Latin America, as well as of others that may enter that trade, it would be easy to estimate these goals for certain branches of manufacturing. The knowledge of such goals on the part of each country concerned will no doubt serve as a valuable indication of the methods to be applied in their individual plans of economic development.

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It was also considered that through agreements on certain products, a first device could be found to expand the possibilities of trade among our countries and, for that, a study on the means of promotion of such agreements was deemed as an indispensable element.

As a part of the proposal on trade and payments policy, recommendation N° 2 requests the Secretariat that, in carrying out their study on the intra-regional trade in Latin America, it should consider the bearing that the General Agreement on Tariffs and Trade may have on the increase of trade among our countries in view of the inequality in the position of countries which are and those which are not parties to this Agreement. As in other cases, the Secretariat is asked to communicate the results of its work to the international agencies concerned and to governments.

Finally, in view of the terms of reference of Committee V, the problems of payments were not analysed in greater detail. However, there was a unanimous opinion that the matter should be treated in a more general way. It was recalled that a system for the liquidation of the commercial balances of our countries may find, through a homogeneous policy, the means to remedy their situation partially. In this respect, bearing in mind the preliminary conclusions reached in document E/CN.12/304, it was recommended that the Secretariat study measures encouraging exports from countries short of foodstuffs to those that supply them with food. Through such incentives the

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constant adverse balance of payments of the foodstuff-importing countries may be partially corrected vis-à-vis their suppliers.

b) Problems of transport and frontier trade

The problems of maritime transport were considered in the third recommendation of our document. In the preliminary study (E/CN.12/304) the problem of maritime transport with regard to the countries of South America was analysed in a special chapter, which accurately stressed the inter-relation between the increase in intra-regional trade in Latin America and the question of transport. The influence of freight rates on the cost of goods exchanged and the possibility of a better use of the capacity of national merchant fleets, warrants the attention requested for the subject. However, the problem, as approached in the preliminary work on the subject, requires a more careful analysis in the light of the studies of other international organizations. Similarly, it is recommended that harbour regulations, regime of ports, free zones and warehouses and other similar problems should be studied. Committee V did not overlook either the need to study the question of frontier traffic.

It is clearly desirable that the Secretariat should communicate the results of such studies as they are produced to the governments and for these questions require government action.

c) Position of the land-locked countries of Latin America

Always bearing in mind the joint nature of the study requested from the Secretariat in resolution 20(IV), of the Fourth Session of ECLA, the members of Committee V agreed

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unanimously that some Latin-American republics, in view of their position as land-locked countries, have peculiar problems which require special attention. The economic development of such countries, bound up with problems of foreign trade, deserves such attention in view of its bearing on the expansion of the intra-regional trade in Latin America. Committee V also considered that problems arising from certain geographical difficulties may cause a disharmonious economic development.

d) Meeting of experts

Finally, in its proposals Committee V recommends that the Secretariat should be authorized to convene meetings of experts, where necessary, to discuss specified topics. This authorization, like that contained in resolution 20(IV), aims at increasing the powers vested in the Secretariat. Both from the point of view of the interest that such a system has for the joint study of the intra-regional trade in Latin America, and, generally speaking, it seemed to Committee V that such a process is cheaper and yields better results. Sometimes, the collection of information in the several countries of Latin America can be facilitated by a small group of experts, by which many questions are clarified as a result of the exchange of ideas.

Gentlemen:

In addition to the draft recommendation, the desire was expressed that the study of the intra-regional trade in Latin America be undertaken as soon as possible, so as to keep it up

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to date.

The present document, on which many worked, is the fruit of our discussions and is now submitted to this Plenary. It expresses above all the spirit which inspired the debates of our meetings. A cordial spirit which showed an understanding for common problems which reflects hope for a better future for the peoples of this continent.