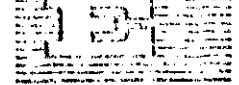


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PROGRESS REPORT BY THE EXECUTIVE SECRETARY

PART I - REVIEW OF WORK PROJECTS AND ACTIVITIES

Introduction

1. The work of the Commission during the past year has been greatly facilitated by the co-operation of governments and private organizations. A close working relationship has been maintained between the governments of Central America and the secretariat on the subject of the Integration Programme which is being accomplished in that area. Several studies in the field of economic development and industry are being carried out with the collaboration of governments. Substantial material help has been received by the secretariat from industrial organizations in three countries for the field investigations which were made in connexion with studies on the iron and steel transforming industries.
2. At the invitation of the Inter-American Economic and Social Council, the Commission participated in the Meeting of Ministers of Finance or Economy, held in November 1954 at Rio de Janeiro. The secretariat prepared a report which was presented to the Meeting together with the recommendations of the Preparatory Group appointed to study problems of Latin America's economic development and international co-operation to encourage it.
3. The Economic Survey of Latin America, 1953 was published in June 1954. The Survey for 1954 will be ready for publication in May 1955.
4. A meeting of experts on the pulp and paper industry was held at Buenos Aires in October-November 1954, jointly sponsored by the Economic Commission for Latin America, the Food and Agriculture Organization of the United Nations, and the Technical Assistance Administration.
5. A study is being made of the iron and steel transforming industries and a meeting of experts will take place during the latter months of 1955 or the first part of 1956 on the basis of secretariat documents and technical papers to be prepared by specialists.

/6. The Programme

6. The Programme for Economic Reciprocity and Integration in Central America has proceeded along practical lines. The second meeting of the Sub-Committee on Central American Trade was held in Mexico City from 24 to 28 January 1955. An Extraordinary Meeting of the Committee on Economic Co-operation in Central America is scheduled for 4-10 May 1955 at San Salvador to discuss technical assistance needs and requests for the 1956 integration programme.
7. The third course of the Joint ECLA/TAA Economic Development Training Programme was held from mid-April to the end of December 1954.
8. A critical review and revision of the Preliminary Study of the Technique of Programming Economic Development is being undertaken. This document will be published in June 1955.
9. Work has progressed on studies of the economic development of Brazil and Colombia and on a study of the fiscal and exchange situation in Chile.
10. An analysis has been prepared of the problems and prospects of inter-Latin American trade. This report will be available before the Commission's sixth session.
11. In 1954, the secretariat began research into the production and consumption of energy in the region, with particular attention to Latin America's prospects in this sphere.
12. Work on certain other projects of high priority has been delayed owing to lack of resources.
13. The secretariat has continued to receive the full co-operation of the specialized agencies and other international organizations. (See Part II of this report.) Liaison has been maintained with the other regional economic commissions on all matters of mutual interest in the different studies.

ECONOMIC SURVEY

14. The Economic Survey of Latin America, 1954, which will be published in May 1955, consists of two main parts. The first deals with current developments and trends in the economy of the region as a whole. The second part consists of a series of chapters dealing with the current situation in individual countries and their specific problems.

/15. Changes in

15. Changes in the rate of economic growth over the past two years are examined, showing per capita income and investment trends. Special emphasis is laid on problems relating to trade and the balance of payments, the terms of trade, exports, the capacity to import, the structure of imports and its effect on production, and the influence of external factors arising from the world situation, price levels and markets.
16. Government monetary and fiscal policies, exchange controls and inflation in the different countries are also analysed.
17. In addition, consumption trends and the factors affecting them are outlined, emphasizing the changes in demand and consumption taking place and how these vary between one country and another.
18. Agriculture, mining, industry and energy are the subject of an important chapter, which deals with the volume of production in each sector and the factors, both internal and external, which influence the output of different products. The means for stimulating production are considered and how this increase can best contribute to the economy of the region as a whole.

ACTIVITIES IN THE FIELD OF GENERAL ECONOMIC DEVELOPMENT

19. In accordance with the mandate of the Commission at its fifth session, the secretariat has continued its work on problems of economic growth and programming.
20. The Preliminary Study of the Technique of Programming Economic Development is being revised and will be published in June 1955. The document has been discussed at round-table meetings with members of the secretariat and outside economists and was subjected to systematic criticism, with a view to refining and improving the methods of analysis and projections to be applied in country studies.
21. A study of the economic development of Colombia will be ready in mimeographed form at the end of June 1955. In order to prepare this study, a group of ECLA economists spent several months in Colombia during 1954, working with the fullest support and co-operation of the Colombian Government. Data on all

/sectors of

sectors of the economy were collected and analysed so that the rate of development since 1925 could be measured. Alternative growth patterns were projected as a basis for formulating over-all integrated programmes in the future.

22. A similar study of Brazil has been prepared, in which the secretariat has received the collaboration of the Banco Nacional do Desenvolvimento Economico. This study will also be ready by 1 July 1955.

23. Material is being collected and preparatory work accomplished for the preparation of analyses and projections for other countries after the sixth session. This preparatory work includes a preliminary examination of the influence of fiscal and monetary policies on the process of inflation and economic growth in Chile.

24. As an integral part of the work on economic development, the secretariat has been compiling information on the availability and utilization of manpower in the various sectors of economic activity. An attempt is also being made to define some of the important social aspects of economic development with a view to encouraging research in this field by international and national institutions.

ECLA/TAA ECONOMIC DEVELOPMENT TRAINING PROGRAMME

25. This programme was established three years ago, one course having been given each year. The main objective is to train Latin American economists in the methods of analysis being evolved by the secretariat, with particular reference to the programming of economic development. Another objective is to give the trainees a better understanding of the process of development, especially in under-developed countries.

26. The work of the trainees is closely integrated with that of the secretariat, approximately one half of their time being devoted to the preparation of material and the analysis of growth problems in their respective countries.

27. The course in 1954 covered the period from April to December inclusive. Sixteen trainees from the following countries participated: Argentina, two trainees; Bolivia, one; Brazil, one; Chile, two; Colombia, one; Costa Rica, one; Ecuador, one; Egypt, one; Guatemala, two; Haiti, one; Honduras, one; /Iran, one;

Iran, one; Nicaragua, one.

28. In the preparation of the programme special consideration was given to the needs of economists from under-developed countries who are actively taking part in the search for practical solutions to the development problems of their countries and of the region. The first weeks of the course were devoted to a study of the basic statistical tools and their role in planning development. The study of programming techniques, which is the core of the training, included global programming, programming by sectors, priority criteria, projection problems and the presentation and evaluation of projects. Special attention was given to the financing of economic development, including methods for increasing aggregate savings and employing them to the best advantage. An examination was made of the administrative and executive aspects of programming, for which purpose the experience of development corporations and similar bodies in Latin America were considered. An intensive programme of selected reading on economic theory and development was supplemented by lectures and round-table discussions; in addition practical research work was also undertaken.

29. It is planned to provide an intensive training course for Colombians in their capital during the last three months of 1955, immediately following the sixth session at Bogota. Although the course will be organized for the benefit of Colombian economists and engineers working directly in the economic development field, a few qualified officials of agencies connected with public works, budgeting and finance and a few professors of economics will be included. It is anticipated that there will be from thirty to forty participants.

30. Because of the preparation and resources required for the course in Colombia, it has been decided to receive only six trainees for the regular course at Santiago.

31. In order to meet the lack of materials on project planning for the use of the trainees, the secretariat, in collaboration with TAA, is undertaking the preparation of a Project Manual. The purpose of the manual will be to formulate methods and criteria for elaborating individual development projects and the steps and techniques most useful in preparing and presenting projects. It is hoped that a project manual of this nature may be of value not only to

/the training

the training course for Latin American economists, but may also serve as a guide to engineers and economists, as well as to government officials responsible for project planning in their respective countries.

REPORT ON INTERNATIONAL CO-OPERATION IN A
LATIN AMERICAN DEVELOPMENT POLICY

32. In accordance with a resolution adopted by the Organization of American States at the X Inter-American Conference in Caracas during March 1954, the ECLA secretariat co-operated with IA-ECOSOC in the preparation and work of the Meeting of Ministers of Finance or Economy, held at Rio de Janeiro from 22 November to 2 December 1954.

34. The document which was presented to the IA-ECOSOC ad hoc committee entrusted with the preparation of the conference, consists of two parts: Part One is a report by the secretariat, while Part Two contains the explanatory statement and recommendations of a Preparatory Group, composed of six outstanding Latin Americans appointed by the secretariat.

34. Since the conference was convened for the purpose of discussing and formulating measures of international co-operation for promoting economic development and inter-American trade, the secretariat report in the main deals with problems of international financing and technical co-operation for economic development, as well as trade policies of common concern to the American republics.

a) The report

35. The report emphasizes that economic development policy is the responsibility of individual governments and must largely be financed from domestic resources. It points out that international co-operation is not a substitute for an internal development policy, but rather is complementary to it and can be most effective if domestic measures are simultaneously adopted to accelerate investments and channel them into the most productive and essential economic activities. To this end, it is necessary to create conditions which will stimulate a dynamic and expanding activity on the part of the entrepreneur. The principal means at the disposal of governments for carrying out such a development policy are monetary and fiscal policy, tariff policy and basic /public investment.

public investment.

36. In this connexion the report distinguishes between the type of State intervention which regulates individual decisions and actions of entrepreneurs from that which creates, or helps to create, conditions which, while they influence entrepreneurs indirectly, do not curtail their liberty of action. In Latin America, the State, through such means as suggested above, can play a vigorous role in promoting economic development. The principal aims of State intervention for economic development could be: (1) to formulate an over-all development programme in which investments in the public sector not only provide the infrastructure for the economy, but also combine with private investment to achieve a balanced development; (2) to increase domestic saving and channel it towards productive purposes; (3) to stimulate import substitution largely through measures of protection and development, to the extent that the demand cannot be satisfied by imports because the capacity to import is limited; (4) to reduce the vulnerability of the economy to external fluctuations by encouraging diversification of production and measures designed to attenuate the effects of sharp variations in prices and the volume of exports; (5) to supplement the credit available through normal channels in order to meet the needs of agriculture and industry particularly medium- and long-term credit and, lastly (6) to provide facilities for technological research and training and for the dissemination of technical knowledge.

37. The main body of the secretariat report discusses the requirements of Latin America for foreign capital and how they might be met, the role of technical assistance in increasing productivity, and trade policy in relation to economic development particularly with respect to a protectionist policy for industrialization.

38. Latin America needs not only foreign private capital but also public loans for investment in social capital. The lack of adequate transport facilities, energy, land reclamation and certain public services are among the principal obstacles to economic development in the region. In an expanding economy, basic investments of this nature must be financed by long-term loans. Formerly, such investments were largely financed by bond issues on international financial markets. But these resources have not been at Latin America's disposal

/since the

since the world economic crisis and, unless this type of financing again becomes available, such resources as are needed from abroad for this purpose would have to come from international credit institutions. It should be noted that private companies, as well as governments, operating in the public utilities field have had to resort to loan capital because of the public character and control of electric power rates related to such activities. In recent years, international lending institutions have made substantial loans, guaranteed by governments, to private companies for electric power development in Latin America. Reliable figures for transport and agricultural and community public works are not available, but some idea of the magnitude of basic investment requirements may be obtained from the estimate that from 4 thousand million to 6 thousand million dollars will have to be invested in electric power development alone during the next ten years, roughly half of which will be spent on equipment.

39. While it is generally agreed that a considerably larger capital inflow is needed, there is not yet, as the report points out, a satisfactory basis for estimating the size of foreign capital requirements. Nevertheless it is possible to make some rough approximations taking into account the rate of growth, the capital-output ratio, the rate of domestic saving, and the amount of foreign exchange earnings available for capital goods imports. The secretariat report suggests that one thousand million dollars of foreign capital annually might be used as a provisional target to be reached over a three-year period. This would not appear to be an unreasonable figure considering that it is only double the amount of direct private investment and public loans from the United States to Latin America in recent years, when remittances on amortization and financial services from Latin America exceeded new foreign investments. Moreover, as may be seen from ECLA's Economic Survey for 1954, the investment coefficient has decreased since 1952. A substantially larger sum than the suggested target figure would be needed to restore the investment coefficient to its level during the post-war years, when temporarily favourable external factors enabled Latin America to experience a satisfactory rate of economic growth. The report stresses the advantages of a provisional investment target, particularly the positive effects it could have on Latin American countries themselves by

/encouraging governments

encouraging governments to formulate sound investment programmes and to take the necessary internal measures for creating and improving the environment for domestic and foreign private investment.

40. Three types of international financing are discussed: direct private investments, public loans from international credit institutions for basic investment, and loans to Latin American entrepreneurs. Consideration of the possibilities for encouraging and promoting Latin American private enterprise constitutes a central feature of the report. It is suggested that one of the means for stimulating private initiative would be to give the Latin American entrepreneur access to international financial and technical resources. This could be done by organizing an industrial credit system under the direction of existing international lending institutions or by creating a special fund for this purpose which, operating through the regular banking and financial system in Latin American countries, would provide loan capital to entrepreneurs, particularly small and medium-size firms.

41. In discussing foreign capital requirements considerable attention is given to the obstacles to foreign investment and how they might be overcome. Inflation is seen as a principal deterrent to economic development, which can only be dealt with by vigorous domestic measures. The lack of investment programmes and well-prepared projects, as well as the difficulty of meeting external payments are considered as major obstacles to public loans. On the other hand, private foreign capital has encountered transfer difficulties, restrictions and some resistance to certain types of investment.

42. Higher productivity is considered as the main objective of international technical co-operation. An increase in productivity may be achieved either through a transfer of labour force from low productivity activities -- particularly in primary production -- to higher productivity activities in manufacturing and services, or through a better utilization of the existing resources of capital, land and labour. The first process inevitably involves an increase in investment and raises the capital-manpower ratio; on the other hand, improved efficiency in utilization of resources may raise productivity without additional investment -- although improved methods in agriculture or

/a particular

a particular industry without expansion of production will necessitate investment in another activity to absorb workers displaced by the increased productivity per worker. It is natural in countries where capital is scarce and labour is relatively abundant that the highest priority for technical assistance will be given to increasing the productivity of capital and land where this can be accomplished by improved techniques with little or no additional capital. While opportunities for technical advance without additional capital are considerable, the general impact of raising the productivity level will be a need for new investment to absorb labour released by improved methods. For this reason a well-oriented technical assistance programme must be, in the first instance, a function of a well-defined productivity policy and must be geared to an over-all investment programme. In this connexion, the report again urges the necessity of systematic analyses and projections of economic growth in the Latin American countries as a pre-requisite for a co-ordinated development and technical assistance programme. The report discusses the possible scope for technical aid in various economic activity sectors and the type of investigation which should be made to determine technical assistance needs.

43. The report gives special attention to trade policy as a factor in economic development. There should, first, be a recognition of the role and inevitability of industrialization in economic development. With a natural increase in population and surplus manpower being created by modern techniques in primary production, there is the necessity to absorb such increases and surpluses in new and expanding industrial and service activities. Industrialization generally calls for a protectionist policy, since productivity is much lower in developing countries than in the highly industrialized countries.

44. Some of the theoretical implications of a reasonable protectionist policy for developing countries are underlined, showing that a reduction of the wage level is not a practical substitute for protection and that historically industrialized countries have resorted to protection, except in instances where international competition is non-existent. Moreover industrialization, under suitable economic conditions, is compatible with the expansion of primary product exports to the extent that demand for such commodities increases in the

/world industrial

world industrial centres.

45. The report explains at some length the effects on world trade of a protectionist policy in a primary producing country during the early stages of development, as distinct from the effects of a similar policy in highly industrialized countries. Demand for primary products is created by industrial activity in the latter countries, which in turn determines the amount of foreign exchange available to the primary producing countries for imports of manufactures. This generates a form of spontaneous reciprocity, inasmuch as an increase of imports by an industrial country from a primary producing country automatically creates a demand by the latter for the manufactures of the former.

46. Provided productive factors which can be economically used in export activities are not limited by such a policy, a tariff imposed by a primary producing country restricting the importation of certain specific manufactures will not reduce world trade, since the country must use its foreign exchange resources to the limit for capital goods, raw materials and other essentials. Thus the composition but not the volume of its imports are changed. When an industrialized country limits imports of a primary product, it is unlikely to offset this reduction by equivalent purchases of another raw material.

47. One other aspect of this problem should be noted. Imports of primary products by industrial centres do not increase at a rate high enough to satisfy the increasing demand of the developing countries for manufactures. This is due to the different income elasticities of demand for primary products and manufactures as well as to other factors related to the growth of population and income. This is clearly apparent from estimates that for each one per cent increase in per capita income in the United States, imports of primary products tend to rise 0.66 per cent, while a similar per capita increase in Latin American income tends to raise the demand by 1.58 per cent for industrial goods.

48. The report also points out that industrialization could be given a strong additional impulse by a liberalization of inter-Latin American trade, which would allow for the exchange of those industrial products for which the market of a single country is too small for efficient low-cost production.

/49. With respect

49. With respect to fluctuations of the prices and volume of trade of primary products, the report points to internal measures which would make Latin American countries less vulnerable to external fluctuations, and international measures which might reduce such variations and would be acceptable to countries with divergent interests and policies.

b) The preparatory group

50. The Preparatory Group was appointed by the secretariat to consider these problems independently, having the secretariat report as a background document. After a considerable exchange of ideas and points of view, the Preparatory Group presented a separate report containing eighteen draft recommendations, which specified in detail measures that might be taken to promote the development and trade of the region.^{1/}

51. Among the most important suggestions were those recommending the creation of an American Fund for industrial, agricultural and mining development; foreign investment of at least one thousand million dollars annually in Latin America, and participation of international lending institutions in reaching this goal; internal measures for programming development and for the effective use of international co-operation; international measures to prevent prices of basic primary products from falling below critical levels, and studies to determine such levels; inter-governmental consultation on disposal of commodity surpluses in international markets; recognition of industrialization as a necessity for economic development and of tariff protection as a proper incentive to industrialization; liberalization of inter-Latin American trade; expansion of international technical co-operation and, in particular, the programming of technical assistance for economic development on the basis of studies recommended by the Preparatory Group itself.

c) The Meeting of Ministers of Finance or Economy

52. The discussions at this meeting were based in part on the secretariat report and on the recommendations of the Preparatory Group. A number of these recommendations were embodied in resolutions adopted at the Conference, particularly with reference to programming economic development and internal measures for this purpose, tariff policy for industrialization, internal and international

^{1/} See the text of the draft recommendations on pp.129-144 of the report International Co-operation in a Latin American Development Policy (document E/CN.12/359), United Nations publication, Sales No.: 1954.II.G.2.

anti-cyclical policies and the increased participation of international lending agencies in financing development. A resolution was unanimously adopted which recommended that foreign investment be substantially increased in the immediate future and that domestic measures be taken to increase the technical and economic capacity of the Latin American countries to absorb foreign investment and to facilitate the transfer of their servicing charges.

53. The proposal to establish a special Investment Fund was discussed at some length. A resolution was finally adopted to appoint a committee of experts, composed of nine representatives of Latin American central banks, to study the matter further and make recommendations to IA-ECOSOC and its member governments. The committee of experts is meeting in Santiago, Chile, and has almost completed the first phase of their work. The ECLA secretariat has participated in the meetings of this committee in an advisory capacity.

STUDIES OF INDUSTRIES

a) Iron and steel transforming industries

54. The secretariat has continued its work on the study of the structure, characteristics and prospects of the iron and steel transforming industries in the Latin American countries. This study is primarily based on investigations of individual plants selected as a representative sample of all branches of the mechanical and metallurgical industries. Approximately 400 separate plants in Brazil, Chile and Colombia have been included in the study.^{1/}

55. The basic aims of the study are to ascertain the potential development of steel transforming industries, as regards the diversity of goods manufactured and their technical complexity, under existing conditions, as well as over-all development prospects in the region.

56. The report, which is to be presented to a meeting of experts, will deal with: a) a general description of existing industries; b) an analysis of the markets based on a study of imports and local production as well as consideration of the potential demand; c) the possibilities of developing the various branches of the steel transforming industry, taking into account the availa-

^{1/} As indicated in the Introduction to this Report, the secretariat has had the full co-operation of the industry in the preparation of this study.

bility of capital, raw materials, manpower and technical knowledge; d) the technical and economic obstacles to be overcome, and e) the influence of fiscal and tariff policies.

57. Arrangements are being made to initiate studies in other countries, if resources permit, including perhaps Mexico and Peru. Through inter-country comparisons, it is hoped to indicate how one industry may benefit from the experience of others, particularly with reference to adapting low capital intensity techniques and equipment. The widely varying conditions between one country and another have obliged a different approach to be adopted in each case.

Brazil

58. The mechanical and metallurgical industries in Brazil have reached a relatively high level of development, particularly in the Sao Paulo area. Considerable research was undertaken on problems relating to organization and productivity, from the aspect both of the general influence of industrial operations and of specific production processes. An examination was made of the financial situation of existing enterprises and of the problems facing newly-created industries. Present and potential markets and marketing conditions for products of the transforming industries were studied and cost comparisons were established between domestic and imported products. The possibilities of import substitution were examined, taking into consideration costs, availability and quality of raw materials and skilled labour, as well as the prospects for technological research and training.

Colombia

59. The role of iron and steel transforming industries in Colombia's economic development is much greater than might appear from their relatively small place in domestic industry as a whole. The skilled labour being trained in these industries is vital to both the over-all future industrial development of the country and the contemplated expansion of the main steel plant at Paz de Rio. Topographic conditions and the consequent transport and communication problems tend to divide Colombia into well-defined areas, leading to a multiplication of plants which produce the same goods, with low productivity and /high costs.

high costs. A solution to this problem through concentration and integration involves the consideration of transport problems, as well as those of energy and labour availability. A special study has been made of conditions for the technical training of the labour force in metallurgical industries and it emphasizes the substantial need which exists for trained technicians.

Chile

60. In 1953, a preliminary study was made in Chile and some of the conclusions were used to draw up sampling techniques which were adapted for studies in other countries. With this experience, a more complete study is now being made in Chile, covering a much wider section of the industry and investigating a broader range of problems including those created by the shortage of industrial equipment.

Meeting of experts

61. It is planned to convene a meeting of experts on the iron and steel transforming industries in Latin America during the latter part of 1955, which will be jointly sponsored by ECLA and TAA. The organization of this meeting will be similar to that of the Expert Working Group on the Iron and Steel Industry in Latin America held at Bogota in October 1952, while the subject matter will cover both primary steelmaking and the transforming industries which produce finished consumer articles and producer goods from iron and steel. The agenda at present envisaged consists of three main parts, dealing with:

1) As regards steelmaking, an analysis will be made of the problems which were shown at Bogota to be of particular concern to the region and of the new techniques which developed significantly, both in Latin America and in highly industrialized countries, since 1952. The tentative agenda includes: a) The use of oxygen in steelmaking as a means (i) to produce higher quality steels from the raw materials available in Latin America, and (ii) to reduce investment costs; b) an analysis from a technical and economic angle of the processes for rolling and finishing steel; it is in this field that the advantages of capital-saving versus labour-saving processes can best be weighed within the economic conditions prevailing in the Latin American countries; c) the use of special steels and ferro-alloys - products which are just beginning to be

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produced in Latin America; and d) other special problems for steelmaking in the region including the elimination of sulphur, which is over-abundant in many ores and fuels in Latin America.

2) A description of the present status and development prospects of the steel transforming industries in a number of Latin American countries. The results of the country studies referred to above and the findings of the inter-country comparisons will also be presented. It is felt that discussion of these studies will be of particular interest both to participants from the Latin American countries and those from other regions.

3) An analysis of the main production processes used in the iron and steel transforming industries.

62. The secretariat considers that, in order to provide more effective assistance to government planners and to these industries, it is necessary to undertake a thorough analysis and comparison of the results achieved with the use of different productive processes by plants of different sizes and by plants of the same capacity operating under different technical conditions, etc. Some original work must be carried out on this study, for which very little published material is available. The secretariat hopes to receive valuable original contributions from experts both in Latin America and in industrialized countries elsewhere. Research under this heading will comprise: iron and steel foundry work; forging and stamping; machining, with particular attention to lathe work and welding.

63. It is anticipated that from 150 to 200 experts will attend the meeting. The participants will be chosen for their personal capacity and for the technical contribution they can make to the discussions. Experts will attend from all the Latin American countries with iron and steel transforming industries, from highly industrialized countries and possibly from other regions.

b) Latin American meeting of experts on the pulp and paper industry

64. The meeting of experts on the pulp and paper industry was held at Buenos Aires, Argentina, from 19 October to 2 November 1954. It represented a continuation of the programme established by the United Nations and its agencies which aims at expanding world production of pulp and paper to meet existing shortages and prospective needs and, in particular, of the work carried out

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in accordance with the Commission's resolution 58 (V).

65. The meeting was principally devoted to an examination of the following major problems related to the development of the industry in Latin America and included:

- a) The present and probable future demand for pulp and paper in Latin America, both for the region as a whole and for individual countries;
- b) The processes and sources of supply for current output, as well as present costs;
- c) The possibilities that, considering all fibrous resources available for pulp and paper, future requirements can be satisfied by regional resources either alone or in combination with the required imports available;
- d) The capabilities of known technical processes, their costs and their probable results when applied to Latin American woods and fibre crops to produce the necessary grades and qualities of paper to meet Latin American needs;
- e) The areas that require co-ordinated technical research in forestry and technology to realize a development programme;
- f) The economic, political and social obstacles to the expansion of existing industries and to the creation of new industries in order to meet present and future needs;
- g) The criteria by which new projects should be evaluated;
- h) The available sources of financing the development of pulp and paper industries.

66. These problems were the subject of seventy-five technical papers and nine documents prepared by the secretariat which were all presented to the meeting. Since practically no past experience existed on the economic use of tropical hardwoods, the secretariat, aided by specialists, undertook field studies in Yucatan, Mexico, and Amapa, Brazil, comprising projects for wood extraction and transport, the design of mills of different sizes and degrees /of integration,

of integration, and calculations of investment and operating costs. Laboratory tests of the woods were made at the Madison laboratories in the United States and other laboratories in Mexico and Brazil. It was found that the obvious abundance of supplies and the small degree of current exploitation led to problems of resource management, adaptation of technology and other economic factors.

67. Although the tropical and sub-tropical forests of Latin America provide large potential resources, the importance of other raw materials was not overlooked. Methods and conditions for producing pulp from broadleaved and coniferous temperate zone species were also considered.

68. A special study was made of local conditions for pulp production from sugar-cane bagasse in Argentina, Brazil, Cuba, Mexico, Peru and Venezuela. While bagasse itself is providing a valuable contribution to the expansion of pulp and paper production, its most important role appears to be in blended pulps, to which it imparts valuable properties.

69. Particular attention was paid to prospects for developing the industry in Latin America including problems of financing, marketing, technical assistance and other circumstances of economic significance.

70. The meeting was attended by 186 experts from many parts of the world and definite conclusions were reached regarding the expansion of the pulp and paper industry in Latin America. With the aim of assisting the promotion of projects in the different countries more directly, it was proposed to create an advisory group, sponsored by ECLA, FAO and TAA, which would assist governments in formulating broad development plans for the pulp and paper industry and would aid private companies in preparing specific projects.

ENERGY PROGRAMME

71. Work on a study of the present and estimated future production and consumption of energy in Latin America was begun early in 1954, in response to resolutions 38 (AC.16) and 60 (V). A preliminary report will be presented to the sixth session of the Commission.

/72. The study

72. The study points up the low level of consumption in the whole region when contrasted with industrialized countries, as well as the differences between countries, areas within each country and between the various sectors of the economy. An estimate of annual per capita energy consumption in the Latin American countries shows it to be under 500 kilogrammes of petroleum equivalent, while that of electric energy is only about 200 kWh. These low figures indicate a serious energy deficiency which, if it is not overcome, will hinder the economic development of the region.

73. In order to evaluate the situation in the different Latin American countries balance sheets have been prepared showing energy consumption from different sources reduced to a common equivalent of petroleum tonnages. While some countries still rely on wood fuel for 50 per cent or more of their energy consumption, petroleum products and to a lesser degree electricity, are increasingly being substituted for wood as a source of energy and are supplying new demands.

74. A break-down has also been prepared, showing the structure of consumption and the existing disparities in energy utilization by such different activity sectors as mining, manufacturing industries, agriculture, transport and for residential use.

75. Efficiency in the utilization of fuels and the yield of the power systems are studied in the programme and it is shown that a serious waste of resources results from the continued use of obsolete equipment and unscientific production methods. Consideration is given to the means both for conserving the limited energy resources and for economizing in foreign exchange.

76. A preliminary survey of the potential sources of energy has been made in each country, as a first step toward estimating petroleum and coal deposits and the hydro-electric potential. This survey shows that while some of the Latin American countries are well endowed with natural resources, others are apparently faced with a fundamental supply problem in order to meet the needs of an expanding economy. It is seen that greater energy developments can be undertaken on a regional basis. In particular, the possibility of a joint utilization of hydro-electric resources situated on international boundaries is recommended to the continuing attention of the governments concerned and

/of international

of international organizations.

77. In addition to studying existing resources and their utilization, an analysis is made of the energy situation as a whole and its role in the different aspects of economic development. On this basis and following recent trends, a tentative projection is made of the future demand for energy in the Latin American economy. Established relationships between the consumption of energy in the form of fuel and electricity, in aggregate terms, on a per capita basis, or per unit of production, on the one hand, and various economic indicators, such as product per capita, output-capital ratio, the degree of industrialization and urbanization, on the other, help to determine the energy required under alternative hypotheses for the rate of growth. Minimum and maximum rates of increase in the requirements for development are estimated, as well as the additional investment required.

78. Figures for the total energy demand during the next decade are projected, according to national and international trends and taking into account technological progress. A break-down is made of the main sources of energy, the most important of which are petroleum products and electricity. This analysis enables certain targets for domestic production to be established, while it is apparent that a large deficit must be met by imports. The magnitude of the import requirements for energy forecast for the future is likely to affect the balance-of-payments position of those Latin American countries which are mainly dependent on external sources of energy.

79. It is anticipated that the aggregate demand for energy may almost double during the next ten years and in any case will exceed the rate of growth of the gross national income. Average per capita consumption of energy will probably rise by 60 - 70 per cent during this period. The need to increase installed capacity will be slightly lower because better utilization can be expected to result from technological advances.

80. Investment estimates are based on computations for consumption and costs of production and distribution. In order to meet estimated energy requirements in Latin America by 1965, it is calculated that no less than 6000 - 7000 million dollars will have to be invested and possibly as much as 9000 - 10,000 /millions. This

millions. This would involve an average annual expenditure of capital between a minimum of 600 million dollars and a maximum of 900 millions, depending on the rate of economic development during the next ten years, always provided that the energy problem is faced realistically and takes the need to raise the level of energy consumption into consideration. At least 50 per cent of the expenditure will have to be paid in foreign exchange for the purchase of capital goods abroad. This proportion may be even greater unless vigorous steps are taken to increase the domestic production of certain materials and equipment.

81. The study emphasizes how economic development will be hindered unless energy resources are increased along sound economic lines; it further stresses the importance of a clear and purposeful policy for energy production and utilization in the over-all development programmes of the Latin American governments.

82. Future work on energy problems will call for broader and more precise statistical research. It will be necessary to examine potential resources in greater detail, particularly hydro-electric potential, and to study multiple-purpose development, efficiency in fuel utilization and methods of programming and financing energy development. To ensure the success of this work it will be necessary to call on expert technical knowledge from outside the region, as a means for assisting local technicians to solve their problems, and to maintain close co-operation between the governments and United Nations agencies working in this field.

AGRICULTURAL STUDIES

83. The secretariat's work in the field of agriculture is divided into two categories: a) Projects included in the ECLA/FAO Joint Programme as established between the Executive Secretary and the Director-General of FAO early in 1954; and b) work undertaken independently by the ECLA Economic Survey and Economic Development Divisions.

/Coffee Study

Coffee Study

84. Preparatory work for this joint ECLA/FAO project was initiated during the second half of 1954. The study is intended to cover the four principal coffee producing countries of Latin America: Brazil, Colombia, El Salvador and Mexico which represent about 85 per cent of the total coffee production of the region.

85. The main objectives of the study are to determine: a) The productivity of labour and capital under varying circumstances and with different production and processing methods; b) Production trends on the basis of the present number and age distribution of the bushes; and c) The effects of coffee production upon the economic development of the producing countries.

86. Other aspects of the problem will be considered in accordance with the information made available by the field surveys, which are being carried out principally by sampling methods. Field work was begun in El Salvador during November 1954.

87. Because the economic aspects of coffee production present particular problems which have an important bearing on economic development, it is considered that the study will be of special interest, not only to coffee producers and consumers, but to all those concerned with the economic development of the area.

INTERNATIONAL TRADE AND FINANCE

88. Current trends in Latin America's trade with other regions are analysed in the Economic Survey for 1954.

89. Three special studies dealing with these subjects are now in preparation: the first on the terms of trade and the role of international commerce in economic development; the second on the possibilities of expanding exports from the region; and, thirdly, a study of inter-Latin American trade.

90. The third-named study, undertaken in accordance with resolution 69 (V), will be presented to the sixth session. It will offer a first complete picture of the characteristics and structure of the trade between the Latin American countries. The study will provide details of the flow of trade by commodities;
/the disparities

the disparities in the trade between those countries which are exporters and those which are importers of raw materials and foodstuffs; trade balances; and the tendency of countries to balance their trade on a bilateral basis.

91. An analysis of trade policy has been prepared, including the effects on inter-Latin American trade of the General Agreement on Tariffs and Trade, to which some of the countries of the region have subscribed and some have not. The implications of commercial policy on the possibility of expanding trade in manufactured goods between Latin American countries are also considered.

92. The flow of payments and the problems involved are analysed with particular reference to the current obstacles to multilateral payments settlements and how such barriers may be overcome.

93. Finally, a study of maritime shipping in relation to inter-Latin American trade has been prepared. It deals particularly with the practical problems the solution of which would facilitate trade between the countries of the region.

CENTRAL AMERICAN ECONOMIC INTEGRATION PROGRAMME

94. The secretariat has continued to work actively on the Programme of Reciprocity and Economic Integration of Central America, called for under resolutions 9, 24 (IV) and 50 (V), and which is jointly sponsored by ECLA, TAA, FAO, ILO and UNESCO. A short summary of the work being carried out is given below.

95. The third meeting of the Committee on Economic Co-operation in Central America, which was scheduled to take place in 1954, was postponed. It is planned to hold an extraordinary meeting in El Salvador from 4 - 10 May, 1955, for the purpose of reviewing the progress on the different projects and of approving the work programme to be undertaken. The third regular meeting of this Committee will be held at the end of 1955, in Managua, Nicaragua.

a) Research and training institutes

96. Early in 1954, an Advanced School of Public Administration was established at San José, Costa Rica. During the first year, fellows from the five Central American countries attended the courses, which have done much to improve and to promote interest in the study of public administration in the area.

/97. A group

97. A group of TAA experts have studied the possibilities and conditions for establishing an institute of technological and industrial research for Central America. The report prepared by this expert group recommended that an institute be established in either El Salvador or Guatemala; its purpose would be to investigate Central American raw materials and their utilization in industry, as well as providing technological advice on this subject. On the basis of their report, the Ministers of Economy of the member countries of the Committee, when consulted individually, recommended that plans should continue for the establishment of the institute. Two TAA experts were designated to discuss specific aspects with the governments and to consider the initial work programme.

98. In order to assist in raising the level of technical and administrative training in Central America, a mission sponsored by UNESCO and ILO, after studying conditions in the different countries, presented a preliminary report early in 1954. This report is being brought up to date by a further mission engaged in determining the needs for skilled manpower in Central America and formulating specific work programmes for 1955. These reports will be considered at the next meeting of the Committee.

b) Electric Energy

99. A technical mission appointed by TAA completed a preliminary report on this subject which was distributed to member governments and will be discussed at the forthcoming meeting of the Committee.

c) Forestry, forest products and the pulp and paper industries

100. A technical field mission has undertaken a preliminary survey, including forest resources, transport problems, production costs and other economic factors. The mission's report has been discussed by ECLA and FAO and will be submitted to the next meeting of the Committee. If it is approved, it is anticipated that experts will be appointed to study the location and to make concrete proposals for the installation of a pulp and paper industry.

d) Livestock and dairy industries

101. A technical mission has prepared a draft report covering the general situation of livestock and dairy farming in the area. The report covered pasture and sanitation, slaughter-house conditions and the utilization of meat,
/the supply

the supply of milk and milk products, veterinary services and the training of veterinary personnel, as well as the possibility of establishing an integrated industry in a suitable location.

e) Transport

102. After the reports of a transport mission and of a seminar on transport problems in Central America undertaken in 1952/53 (documents E/CN.12/AC.17/31 and 17/32) had been adopted, three experts were appointed to make further studies. One expert has examined the feasibility of establishing a Central American merchant fleet and a report is being prepared. The second is working on international highway traffic regulations, while the third is investigating port facilities and the means for improving their services.

f) Foreign trade and customs nomenclature

103. The Uniform Central American Customs Nomenclature (NAUCA), drafted by the Sub-Committee which met at Tegucigalpa, Honduras, in November 1952, has been adopted by the governments and is being put into practice.

104. A Sub-Committee on Central American Trade has been created: (i) to draw up a uniform Central American tariff nomenclature for export products; (ii) to study the means for unifying customs legislation, regulations, terminology and procedure, as well as the concepts for units of appraisal and criteria for valuing merchandise; (iii) to proceed with the consideration of customs, commercial, monetary, exchange, fiscal or other factors which affect the cost of commodities exchanged between the Central American republics, particularly those which are or may be the object of illicit trading so that the differentials which give or may give rise to such traffic may be offset; (iv) to formulate recommendations on the foregoing subjects so that governments may adopt uniform solutions and procedure.

105. The Sub-Committee held its first meeting in Tegucigalpa, Honduras, at the end of September 1953. A second meeting, which was held in Mexico City from 24 to 28 January 1955, was attended by representatives of all the Central American countries and observers from Mexico, Panama, IASI and the UN Statistical Office. Items on the agenda included a project for a Code Manual for the Uniform Customs Nomenclature (NAUCA) (document E/CN.12/CCE/SC.1/3) and
/consideration of

consideration of customs regulations, definitions and procedures.

106. Two studies have been carried out in connexion with trade agreements between the Central American countries. The first analyses inter-Central American trade, while the second examines the policy followed by the different countries, the treaties signed with countries outside the area, problems arising out of trade agreements, etc. The possibility is considered in the second report of working towards a multilateral free trade treaty between the Central American republics.

PART II - RELATIONS WITH SPECIALIZED AGENCIES AND OTHER
ORGANIZATIONS

A. Introduction

107. The work of the secretariat has been increasingly co-ordinated with that of other international bodies in all aspects of mutual concern in the region. Work has been facilitated by consultations, exchange of material, the loan of specialized personnel for specific joint projects and the establishment of joint working parties.

B. Specialized Agencies

Food and Agriculture Organization

108. At the beginning of 1954 a new agreement was signed between ECLA and FAO whereby these organizations would undertake a Joint Programme to consider those special problems in which they have a primary interest and the study of which will provide a basis for practical action.

109. In accordance with this agreement, a senior FAO economist was appointed Chief of the Joint Programme. In addition to his functions as Chief of the Programme, this official participates in the planning and review of all ECLA's agricultural work and is consulted on all matters of common interest to both organizations. Not only have the two organizations benefited from these consultations, but information and material gathered by each body are in this way immediately available to both.

110. The first project under the Joint Programme is a study on certain aspects of the coffee crop in the principal coffee producing countries of Latin America. (For more details, see the section on Agricultural Studies in Part I of this report.)

111. There was close collaboration between ECLA and FAO in the preparation and direction of the Latin American Meeting of Experts on the Pulp and Paper Industry, held at Buenos Aires from 19 October to 2 November 1954. The Meeting was jointly sponsored by ECLA, FAO and TAA, and organized by officials of ECLA and FAO, a representative from each acting as Co-Director.

/112. Prior to

112. Prior to the Meeting two staff members of FAO and an FAO consultant came to Santiago to collaborate with the ECLA staff in the preparation of the secretariat papers.

113. FAO has continued to participate actively in the Central American Economic Integration Programme.

114. The two organizations have continued their collaboration in the field of agricultural statistics. The Chief of ECLA's Statistical Section will visit FAO Headquarters in Rome to discuss problems of common interest and to study a better co-ordination of the work.

115. ECLA and FAO will present for discussion at ECLA's sixth session a joint paper on the selective expansion of agriculture and its relationship to the general economic development of the region.

International Monetary Fund

116. The secretariats of ECLA and of the Fund have maintained their consultations on matters of common concern. There has been a full exchange of information on balance-of-payments problems, the effect of monetary policy on internal stability and on trade, as well as on some of the factors which affect economic development.

International Bank for Reconstruction and Development

117. ECLA and the Bank have exchanged information regularly on various problems and projects. Officials of the Bank on field missions to Central American countries have visited the Mexico Office of ECLA and have consulted with the secretariat on matters relating to the Central American Economic Integration Programme and the economic development problems of that area.

International Labour Organisation

118. Active collaboration between ECLA and ILO in the Central American Integration Programme has continued, especially in the field of technical training.

119. Both secretariats are in regular contact for the exchange of information on matters relating to their specific fields of work.

/United Nations,

United Nations, Educational, Scientific and Cultural Organization

120. UNESCO has actively co-operated with ECLA and the other interested agencies in the Central American Integration Programme.

121. ECLA and UNESCO will jointly participate with the International Economic Association in the preparation of a Seminar on Economic Growth, to be held during 1956.

122. The UNESCO secretariat contributed two papers to the Latin American Meeting of Experts on the Pulp and Paper Industry sponsored by ECLA, FAO and TAA. They were World trends in consumption of newsprint, other printing paper and writing paper, and Paper for printing and writing: tentative forecasts of demand in 1955, 1960 and 1965.

123. The Director of ECLA's Mexico Office took part in the Round Table Conference on the teaching of social sciences organized by UNESCO, which was held in San José, Costa Rica, during July 1954.

C. Inter-American Economic and Social Council

124. During 1954, extensive discussions were held with IA-ECOSOC and action taken on ECLA's collaboration in the preparation of the Meeting of Ministers of Finance or Economy at Rio de Janeiro. This subject is dealt with in Part I of this report and in document E/CN.12/AC.26/5.