In the various documents presented at these plenary meetings of ECLA, the secretariat reports on the studies carried out during the previous year and also indicates their basic conclusions concerning problems of Latin American development.

It is not my intention to enter into details concerning our work programme since it has seemed to me that it would be more useful, as we begin our session, to refer to some important aspects of the economic situation and trends in Latin America, so that the direction of the secretariat's future work can be fitted into that framework.

One encouraging feature has been the relatively high general growth experienced by Latin America's economies over the past two years. In fact, real income for the region as a whole grew at an annual rate of over 3 per cent per capita. This growth has not been just a stage in the process of ebb and flow which has so often marked Latin America's economy. It has been influenced by more efficient planning of government action in the economic and social areas, the progress of regional economic integration and other factors which are potentially capable of ensuring maintenance of a reasonable rate of growth.

There has also been an improvement in the external financial position of several of our countries, as well as clear progress in defining and applying anti-inflationary policies and there is a growing tendency to link problems of monetary stability with the needs of economic growth.
Another positive factor in the current Latin American situation is the improvement in the fiscal position. In several countries, the real growth of tax revenue over the past few years has ranged between 9 and 10 per cent a year although in some countries inflationary pressures have made it difficult to maintain the elasticity of the tax system. We should, however, point out that the institutional and administrative changes introduced with a view to raising tax revenue have not always been in mind the need to influence the pattern of demand, of guiding the activities of the private sector or of helping to improve income distribution.

Among these references to some of the more important positive factors for the hopes of our countries, there is one which should be stressed because of its fundamental significance for the future of Latin America. This is the advance made in the regional integration process, an advance which can be observed clearly in the countries belonging to the Central American common market and in those which are members of the Latin American Free Trade Association.

For the Central American countries, integration is already a basic tool for the development of their systems of production. Their reciprocal trade rose from 33 to 140 million dollars between 1960 and 1965. At the meeting of the Central American Co-operation Committee held in Guatemala at the beginning of this year, measures were agreed upon which will strengthen the integration process. The next steps will be to perfect the juridical basis and the instruments of integration and to establish an adequate economic infrastructure. Action in favour of uniform tax and monetary policies will also be strengthened, as will measures for the uniform treatment of foreign investments and imports from third countries. It should not be forgotten, however, that the growth prospects of the zone as a whole are limited. With a population of twelve million and a low per capita income, the development of even an integrated Central America will continue to meet with serious obstacles. The need for broad and for reaching social reform, which will tend towards improving income distribution and increasing the purchasing power of the lower-income groups is a social need and a prerequisite for
future growth. At the same time economic and financial relations will have to be expanded within the framework of a gradual establishment of the Latin American common market. In this sense, conversations already begun between the Latin American Free Trade Association and the Central American common market and the proposals by Mexico and the Central American countries for increasing their reciprocal trade are early steps towards more profitable relations between Central America and ALALC.

The Latin American Free Trade Association has clearly made progress, as indicated by the fact that imports among member countries rose from 375 to 750 million dollars between 1960 and 1965. This is a very significant increase in trade, even though these figures include traditional trade and relate to an initial period of relative recession.

At the same time there has been a strengthening of the institutional organization of the Association through the establishment of the Council of Ministers for Foreign Affairs and the conclusion of multilateral compensatory agreements among the Central Banks. The Permanent Executive Committee has been made more dynamic and work is being done to ensure adoption of a system of ad valorem duties and charges, the preparation of common customs machinery, the modernization and adaptation of industries, the promotion of credits for exports and other related purposes. At the same time the permanent organs of ALALC have been requested to study a system of automatic tariff reduction.

The gradual change in the pattern of intra-area trade is just as important as its rapid expansion. There is now a tendency to include a greater proportion of manufactured goods, particularly chemical products and metals together with metal manufactures. Much of the intra-area trade consists of products included in ALALC's liberalization programme and these products often replace imports formerly brought in from outside the area.

As Latin America becomes aware of the prospects opened up by regional integration, its approach to the rest of the world is becoming one of greater unity and less passivity. At the same time it is inured with a sense of scientific and technical concern for greater knowledge of the economic and social development problems of each of our countries.
with a view to solving them. Also evident is a wish to coordinate regional policy on the basis of well conceived and well planned national policies. This wish, to be effective, should be translated into specific agreements for industrial specialization, into projects for the infrastructure and general economic complementarity, if we are not to lag behind the economic development of other parts of the world.

Looking now at the other side of the coin, we shall see that there is still a great deal to be done. There are still serious obstacles in the path of Latin America's development. Their removal will depend not only on our own countries but on decisions by others outside the region.

One of the most serious problems confronting Latin America's economy is the unstable nature of its growth. We have already pointed out that the product has grown at a relatively high rate in the past two years. Yet the average annual rate for the five-year period from 1960 to 1965 was still below that of the two preceding five-year periods.

The unsatisfactory behaviour of the external sector continues to weigh on our development process. Another cause for concern is the decline in Latin America's relative share of world trade. Between 1960 and 1965, there was a 45 per cent increase in world trade whereas Latin America's exports rose by only 28 per cent. It is surprising to see that the greatest decline took place in trade with the United States.

Much of the burden of Latin America's economic growth will have to be carried by the industrial sector. Nevertheless, this sector is still not dynamic enough. Between 1960 and 1965 the growth rate of manufacturing output was less than the rate for the two preceding five-year periods. This weakening in the industrialization process is associated with the reduced incentives provided today by import substitution at the national level, by the fact that exports are limited and by insufficient planning for industry within Latin America's development plans.

Moreover, gross capital formation is insufficient today to ensure satisfactory growth. Over the past few years it has increased less rapidly than the domestic product, and in the five years from 1960 to 1965, the percentage ratio between gross investment and the total product fell from
17.5 to 16.5 per cent. At the same time public investment rose sharply and investment in the infrastructure and in social services was greater, but private investment declined. All these factors, and more particularly the relative withdrawal of private investment, may seriously retard the broadening of the industrial base and that of other sectors of production.

It can be seen from the foregoing that the economic growth recorded in recent years is partly due to a better use of existing production capacity. And that in itself is a good thing. But we should not forget that there is a limit to this utilization and that if the present trends of capital formation are not corrected, prospects for future growth will inevitably be jeopardized.

II

This has been a brief review of the situation in Latin America. We have seen in it both achievements and weaknesses. The latter show clearly the close inter-relationship of the problems which still affect Latin America's economies. Hence the action needed to overcome them should be coordinated and should take place on a broad place of regional cooperation. The integration process will have to be intensified. Steps must be taken to ensure continuing concerted action by our countries at all negotiation meetings together with collective support for the legitimate interests of each individual country. ECMA can collaborate with governments in this work, as it will be doing soon in preparing for the discussions at the Second United Nations Conference on Trade and Development. In this same spirit, it will be advisable to establish closer connexions with the other developing countries, through the Economic Commissions for Asia and the Far East and for Africa.

The developing countries, particularly in Latin America, share a need to provide their basic commodities with an outlet on the markets of the developed countries. At the same time, there is a need to explore the prospects for new markets offered by the countries with centrally planned economies and the other developing countries. To this should be added the possibility of extending the number of commodities for which special agreements could help to achieve the objectives included in the Final Act of the Conference on Trade and Development.
Problems of trade and industrial development are naturally very closely interwoven. Together with the Conference secretariat and the corresponding units at United Nations Headquarters, ECLA has continued to explore the prospects for exporting manufactured and semi-manufactured goods. Such exports will obviously make the industrial sector more dynamic and our external trade less vulnerable. For these exports to become possible, a labour of persuasion must be undertaken vis à vis the developed countries with regard to the terms that should be granted in their markets to our industrial products. The Latin American countries will also have to assign priority to the preparation of a list of manufactured and semi-manufactured goods which they are particularly anxious to export. The secretariat is preparing this list after having undertaken research on an extensive analysis of existing possibilities in the different Latin American countries conducted in the form of surveys and consultations with private enterprises, associations of industrialists and exporters, and government agencies.

In this connexion, the secretariat also assigns a growing proportion of its resources to research on the internal problems of our industries. For this purpose, it has joined forces with the Inter-American Development Bank and the Latin American Institute for Economic and Social Planning in order to advance to a bolder stage: that of cooperating with governments and with the organs of Latin American integration, and in particular ALALC in preparing specific industrial programmes with a view to Latin American integration. At the International Symposium on Industrial Development the Latin American countries will shortly have an opportunity to take a unified stand vis à vis the rest of the world in relation to the industrial problems which beset them. An opportunity to review them was provided by the Latin American Symposium on the subject which was held here last March. At that meeting the insufficiency of planning mechanisms was indicated as a negative factor, particularly because of the lack of adequate projections; greater resources will be assigned to this work, which will have the assistance of the Projections Centre. For planning in general, the secretariat envisages increasing and fruitful collaboration with the Latin American Institute for Economic and Social Planning, on whose value and future it will be precisely for this Committee to decide.
Consistent with the aims of development and on the Commission's resolutions, the secretariat is undertaking more thorough research on social policy and planning. It is now generally accepted that economic problems cannot be solved in disregard of social conditions. Our different divisions are working together with other organizations on serious problems affecting demography, housing, education, health, problems of children and youth, community development, which affect the life and future of our Latin American societies.

I shall not refer here to the work done by the secretariat since the eleventh session, since it has been described in detail in the draft annual report which has been circulated to Governments, and has been summarized in its opening paragraphs. However, some mention should be made of the growing and fruitful collaboration between ECLA and other organizations both with the United Nations family and the inter-American system - and, in particular, the organs of ALALC and the General Treaty on Central American Economic Integration. As a result of this collaboration, the Conference on the Application of Science and Technology to Development in Latin America, organized by UNESCO with co-operation of ECLA, brought together distinguished scientists from the entire continent to seek the best way to turn to account the technical revolution through which we are living. At the Latin American Conference on Children and Youth in National Development, organized by UNICEF, LCIA and the Institute, the burning subject of population policies was discussed on these premises for the first time, and the need to consider the problems of the younger generations within national plans was voiced. These discussions will be continued at the meeting convened jointly by UNESCO and ECLA, which will be held at Buenos Aires at the end of June. At that time it is hoped to bring together ministers of education and ministers and other high authorities in charge of planning in our continent, with a view to redirecting educational structures in accordance with the targets of national plans.

ECLA's collaboration with the Institute, particularly in its specialized courses, has resulted in a most useful experience; in compliance with several of the Commission's resolutions, the secretariat,
together with the ILO and the Institute, organized the first course on economic development planning for trade union leaders. In another area, the courses on housing programming mark an initial step towards the study, in greater depth, of the significance of housing problems at our present stage of development.

There has been continued close collaboration with the Food and Agriculture Organization of the United Nations and with the inter-American Agricultural Development Committee (CIDA). Moreover, special studies are being undertaken on the fertilizer industry, as part of a combined programme of several inter-American and international agencies.

As for the inter-American system, the ECLA secretariat was present at the OAS Conference of Foreign Ministers, held at Rio de Janeiro in November 1965. It also attended the fourth meeting at the ministerial level and at the technical level of the Inter-American Economic and Social Council, held at Buenos Aires in March. There has also been permanent contact with the activities of the Inter-American Committee on the Alliance for Progress.

Finally, I should like to refer to activities relating to international trade and economic integration. Experts from this secretariat have taken part in numerous technical meetings organized by ALALC and have prepared technical studies for its Permanent Executive Committee and for its meeting of Foreign Ministers. It is also important to stress, in relation to inter-American affairs, the work of coordination undertaken by the Mexico Office in connexion with the Central American economic integration programme.

In compliance with the Commission's instructions at the eleventh session, the secretariat convened last September a meeting of government experts to analyse the secretariat's proposals for accelerating progress towards the common market. Shortly afterwards, in December, another meeting was held in Santiago with a panel of senior consultants to study lines of action on general problems of trade policy. Then, in January this year, the Central American Economic Co-operation Committee held its ninth session.
All these activities coincided with the very important meeting of Foreign Ministers of ALALC at which the countries adopted most important decisions of a political and institutional nature which signify a definite advance in relation to integration. Under these circumstances, the secretariat considered that little more could be expected from convening the Trade Committee, as proposed in resolution 251(XI) adopted at Mexico, since the objectives to be pursued by the proposed meeting had, in essence, been considered at a high political level at the meeting of Ministers and there was no more to do except to await their application by the permanent organs of ALALC. For these reasons, and to avoid an unnecessary repetition of activities, the secretariat assumed the responsibility of postponing the convocation of the Trade Committee until such time as, in consultation with governments, it is considered to be in a position to make a fresh contribution to the subjects within its terms of reference.

The work carried out by the secretariat is closely related to the preoccupations expressed by Governments and to the decisions adopted not only within OCEAN but in the General Assembly and the Economic and Social Council of the United Nations. In its research work, in seeking solutions to problems through different meetings and conferences, and in the constant daily support given to technical assistance activities, it has attempted to contribute, in the best way possible, to the efforts to accelerate the region's economic and social development, which is the reason for this Commission's existence. It remains for the representatives to evaluate the results of this work and indicate to the secretariat the course that it should follow in the immediate future.