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Eighth Session
Panama City, Panama, 14 May 1959

Committee I

ECONOMIC DEVELOPMENT

Rapporteur's report

Committee I on economic development held five meetings between 18 and 21 May inclusive under the chairmanship of Mr. José María Castillo, Chairman of the Delegation of Nicaragua. All or some of the meetings were attended by the representatives of Argentina, Bolivia, Brazil, Chile, Costa Rica, Cuba, Dominican Republic, Ecuador, France, Guatemala, Honduras, Mexico, Netherlands, Nicaragua, Panama, Paraguay, Peru, United Kingdom, United States of America, Uruguay and Venezuela. Representatives of the following countries not members of the Commission also attended: Belgium, Canada, Czechoslovakia, Federal Republic of Germany, Hungary, Italy, Japan, Poland, Spain, Union of Soviet Socialist Republics and United Arab Republic. Also present were representatives of the Food and Agriculture Organization, the International Monetary Fund, the International Bank for Reconstruction and Development, UNESCO, the Inter-Governmental Committee for European Migration, the European Economic Community, the European Coal and Steel Community, the Inter-American Statistical Institute, the World Federation of Trade Unions, /the Organization

the Organization of American States, the Inter-American Economic and Social Council, the International Labour Organization and the World Meteorological Organization.

Discussion in Committee I centred upon the following general topics:

1. Economic development problems and policy.
 - (a) Economic development advisory group;
 - (b) Economic development and the regional market;
 - (c) Economic policy; and
 - (d) Harpover problems.
2. Economic development and integration of Central America.
3. Technical assistance for economic development.
4. Statistics.

1. Economic development problems and policy

The Committee began its discussions by defining, in the light of post-war experience of Latin American economic development, some of the main questions which have arisen since the war. Of these, the first to receive emphasis was the circumstance that the countries of Latin America are still largely dependent on exports to finance the imports of capital goods required for their development. As a result, stagnation and periodic falls in the volume of exports still present a serious difficulty when it is sought to institute a strong and steady accumulation of capital. Secondly, the process of economic development has been accompanied, in some Latin American countries, by considerable monetary imbalances which can be traced to underlying structural factors. Thirdly, it was pointed out that,

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owing to the persistent inelasticity characteristic of agricultural production, an undesirable change has taken place in the global structure of production, to the detriment of the supply of goods to wage-earners. Fourthly, attention was drawn to a fact which is attributable partly to the phenomenon just referred to but which, on the other hand, also tends to accentuate that phenomenon: namely, that there has been a change in the distribution of income which shows itself through a tendency for high incomes to increase more rapidly than incomes lower in the scale. Fifthly and lastly, it was observed that the administrative machinery and procedures of several Governments had not been remodelled and adapted sufficiently to fulfil the functions incumbent on the public authorities in the process of economic development. For example, the rapid increase in population and the tendency towards concentration in the towns have increased pressure on the Government to expand its services, while the inflexibility of fiscal systems inhibits the State's response to these pressures.

A lengthy discussion then took place on each of the main development problems which had been defined in introducing the subject.

In connexion with the slowness in increasing exports it was pointed out that increases in productivity might enable the under-developed countries to create new exports; some delegations, however, stressed that a solution to balance of payments problems would have to be sought particularly in import substitution. Attention was also drawn to the strategic role which foreign capital might play in creating the new industrial complexes that will be needed if further substitutions are to be effected.

/Some delegations

Some delegations pointed to the effect of structural phenomena on inflation and, in particular, the backwardness of agricultural production and productivity. Agricultural methods and output had progressed much faster in the developed than in the under-developed countries, partly because Governments had paid insufficient attention to the evolution, popularization and introduction of modern methods, and partly owing to institutional factors - especially those relating to land tenure - which impeded the assimilation of such methods. Furthermore it was recognized that the structure and operation of Latin American tax systems were considerable obstacles to the application of policies designed to promote development without inflation.

(a) Economic development advisory group

The Committee discussed the secretariat note (E/CN.12/518) and the memorandum by the United Nations Department of Economic and Social Affairs, which gave an account of the secretariat's activities in advising Governments on economic development, and of the establishment of an advisory group which had begun operations in a country that had requested such a service. Several delegations expressed their satisfaction at the establishment of a procedure for converting country studies into practical measures conducive to more rapid and better balanced development. It was observed that the benefits to be gained from the establishment of such an advisory group were already receiving practical demonstration.

Some delegations, however, expressed concern about the difficulties of organization involved in the establishment of such groups, its financial

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implications, and the heavy work it might entail for the secretariat. The United Nations Commissioner for Technical Assistance explained that the procedure of application for advice from such groups was strictly in accordance with technical assistance regulations, and that the cost would be met from the ordinary technical assistance funds. The Executive Secretary, in his turn, explained that the reason for establishing such groups lay in the need for the services of generalized experts in economic development, who would be capable of helping to co-ordinate the work of specialists and would at the same time act as repositories of experience on which the Latin American countries might draw when necessary.

After that debate, a draft resolution was approved, by majority vote, expressing satisfaction that work had been begun by an advisory group on economic development organized by the secretariat of the Commission jointly with the United Nations Bureau of Technical Assistance Operations, and expressing interest also in the continuation of work of that type.

Two delegations abstained. One because it considered that the activity in question constituted direct technical assistance, tended to duplicate work recommended by the Committee of Twenty-one, gave undue importance to long-term forecasts, and might have significant financial consequences. The other argued that the procedure described by the secretariat would not apply to Latin America alone but might be taken as a precedent for other regions such as Africa, Asia and the Far East and that such functions could be undertaken by the recently established Special Fund and by the other United Nations

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technical assistance programmes. That delegation stated, however, that it was wholly in sympathy with the purpose of the proposal to assist Governments in their economic development programmes.

One delegation, while voting in favour of the proposal, observed that the giving of advice to Governments was no novelty in the activities of the Commission secretariat; in support of that observation, the delegation quoted paragraph 272 of the annual report covering the period 1956-1957, which referred to advisory services as one of the secretariat's functions.

(b) Economic development and the common market

The point of departure of the discussion on the long-term development prospects of the Latin American economy was a consideration of fundamental importance. In the next fifteen years it would probably be impossible for the rate of growth of Latin America's traditional exports to exceed that of its population. In these circumstances, if during that future period it were considered desirable for the gross product to increase at much the same rate as during the post-war years, the import substitution process would have to be accelerated, since external financing would hardly be able to bridge the gap between import requirements in respect of capital goods, fuels and essential raw materials on the one hand, and on the other, the probable capacity to import.

Doubts were expressed, however, as to the desirability of **intensifying** the substitution process in certain countries, where it had already reached a stage at which the narrowness of the domestic market constituted a serious obstacle.

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Basically, there were two possible alternatives, in the opinion of some delegations. The first would be an increase in non-traditional exports to the rest of the world; the second would consist in an expression of inter-Latin American trade, that is, the common market.

Some delegations then suggested that for the first alternative to be put into effect the productivity of the Latin American economies would have to increase considerably, and that it would be difficult to achieve such an improvement unless Latin American industries were to have access to the market of the region as a whole. Consequently, the common market would also seem to represent an important determinant of the prospects for Latin America's more active participation in world trade. But its greatest significance would undoubtedly lie in the possibility of establishing in Latin America those basic industries which fulfilled so dynamic a function in the economic development process. Import substitution in respect of machinery and equipment, motor vehicles and certain durable consumer goods might thus be effected with the advantage of a scale of production much larger than each country's individual market would allow.

With regard to this item on the agenda, the Committee touched only upon the points mentioned, since the various aspects of the common market bearing on Latin America's economic development had been mainly dealt with by the Trade Committee and at the plenary meetings of the Commission.

(c) Economic policy

During the discussion of this topic, several delegations referred to the importance of country studies as a basis for drawing up an economic policy and, in particular, to the studies of the Central American countries and Panama.

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Note was taken of the draft resolution adopted by the Committee of Twenty-one at its Buenos Aires meeting, calling for such studies, and the co-operation of the secretariat was requested in a resolution which was adopted unanimously.

A discussion also took place on the subject of the co-ordination of economic policy by improving procedures for the preparation and presentation of the fiscal budget; it was recognized that good budget practice was essential to the maintenance of a sound fiscal and monetary policy, and that in many cases such practice had not been followed because it was not adapted to Latin American conditions and because of a shortage of trained staff. The Committee approved unanimously a draft resolution in which, after taking note with satisfaction of the project of the United Nations Fiscal Branch and of the ECLA secretariat to hold a seminar on budget presentation and preparation, recommended that the secretariat, in collaboration with the United Nations Fiscal Branch, should carry out studies with a view to facilitating the adaptation by the Latin American Governments of the technical principles of budgeting, and provide training facilities for specialist Government officials.

Some delegations observed that co-ordination among the different countries of the region was also needed for the development policy, because the existence of a dangerous duplication of effort was becoming apparent and if allowed to continue, it might hamper efforts to organize a common market. Recognizing that to be the case, the Committee approved a resolution recommending the secretariat to study the development programmes of the programming bodies that had been set up and to collaborate with those bodies where co-ordination agreement had been concluded, always provided that such services were requested.

/Lastly, attention

Lastly, attention was drawn to the need to make it easier for Latin American goods to become known within the region, and a draft resolution was approved recommending that Governments should establish a permanent pavilion for their products in the Colón Free Zone, at other free ports, whether already existing or instituted in the future.

(d) Manpower problems

On examining the note by the Secretariat on the problems of skilled manpower in Latin America (E/CN.12/519), the proceedings of the Population Commission at its ninth and tenth sessions (E/CN.12/510) and the document prepared by the Intergovernmental Committee for European Migration (E/CN.12/520), several delegations expressed the view that it was urgently necessary to rectify the great shortage of skilled labour which was felt in all branches of activity in Latin America. Some delegations gave an account of the success of the efforts to solve that problem by Governments and by producers' associations, with the assistance of international agencies. It was recognized, however, that those efforts would have to be redoubled, and that that could be achieved through concerted action by the different international organizations interested in the problem. The Committee accordingly approved a draft resolution requesting the secretariat, in collaboration with organizations interested in the matter, to establish a joint project to make an estimate of the skilled labour required, to make an estimate of the means available to meet those requirements, and to recommend appropriate measures.

/On taking

On taking note of the UNESCO document entitled "Statistical analyses of some social and economic factors in education in Latin America", which revealed the serious situation created by the scarcity of primary education facilities, the Committee recognized the close relationship existing between the lack of such education and the shortage of skilled labour. In view of these considerations, it approved a draft resolution recommending that, in their development programming, Governments should give priority to technical and primary education and should give their support to UNESCO's No. 1 major project for the extension of free and compulsory primary education.

2. Economic development and integration of Central America

The activities of the Central American Economic Co-operation Committee were analysed by various delegations. The countries directly concerned stated that the main immediate objectives of the Economic Integration Programme were to expand free trade and to unify the tariff levels of the five countries as applied to other countries. Attention was also drawn to the need to equalize the tariff scale of the Central American countries in the near future; agreement had already been reached at recent meetings on the tariff levels applicable to most of the goods covered by the multilateral Treaty on Free Trade. Furthermore, in order to increase the speed and broaden the scope of the unification of import duties it would be desirable, as in the case of free trade, to resort to a progressive process whereby the duties might be equalized gradually and in any case within the ten-year period envisaged.

/The existence

The existence of a uniform customs nomenclature, and of the equalization procedures and methods which had been worked out in recent years, made a very positive contribution to the conduct of the negotiations. It was expected that the recently drafted Central American import duties equalization agreement would be signed in the near future.

The delegations present were informed of two important trade agreements which had been signed by the Central American countries during the year 1958. The first of these - the Multilateral Treaty on Free Trade and Central American Economic Integration - was the mechanism chosen by the Governments of the area for the attainment, within a decade, of the target constituted by the Central American common market. It confined itself at first to facilitating free trade in goods included on a schedule, which would be progressively extended until all or nearly all Central American trade items were incorporated into the market. An account was next given of the origin and antecedents of the Treaty, and attention was called to some of its main features. It was stressed that scheduled goods from countries which were contracting parties would enjoy the same treatment as domestically-produced goods in all countries, and would be exempt from all restrictions or quantitative controls. Goods not figuring on the list would nevertheless enjoy unconditional and unlimited most-favoured-nation treatment in other countries, but with the exclusion of concessions granted through other free trade treaties concerted among Central American States. Again, a maximum time limit of one year was fixed for the preparation and submission to the signatory

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Governments of draft contractual agreements, the object of which would be the equalization of import duties on scheduled goods and on raw materials and their containers.

With a view to the practical application of its provisions, the Treaty established the Central American Trade Committee, composed of representatives of the signatory countries.

The Treaty included provisions relating to measures designed to counteract unethical trade practices, and established a system for the free international transit of goods within the area, national treatment and non-discriminational in respect of Central American capital investment and an undertaking to adopt by mutual agreement measures to encourage the establishment or expansion of industries with a view to the Central American common market. Lastly, the Treaty stipulated that the so-called "Central American Escape Clause" should be included whenever treaties were concluded with countries outside the area under the terms of which most-favoured nation treatment was accorded, and the principle of prior consultations in respect of certain similar trade negotiations was established.

The second very important treaty which was signed in 1953 was the Agreement on Central American Integration Industries, an instrument of which the purpose was to render economically feasible the establishment of industries which could not be efficiently organized or developed unless they had free access to the Central American market. It constituted a legal framework laying down the general principles which should govern Central American economic integration in the industrial field. Recognition was

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accorded in the Agreement to the fact that such integration called for reciprocity and equity in the distribution of industrial plants among the five countries. To this end, the text of the Agreement included a transitional article stipulating that the contracting parties should not allocate a second factory sponsored by the Agreement to one and the same country until one such plant had been assigned to each of the five. This instrument of course granted all the privileges of unrestricted free trade to the products of the plants belonging to industries operating under the system, besides the exceptions inherent in industrial development legislation and other benefits. In the case of goods produced by plants producing for the same industry but not recognized as covered by the integration system, provision was made for the granting of progressive tariff reductions until duties had been entirely abolished.

Since the signing of the treaties mentioned gave institutional force to the Central American common market and constituted a decisive step towards the gradual integration of the economies of the five countries that had inaugurated their programme to that end in 1957, the delegations **unanimously** approved a draft resolution congratulating the Central American Economic Integration Committee and its member Governments on their practical and efficient conduct of the work of integration, and urging them to intensify their efforts in the future. The resolution also recognized the part played by the secretariat and the important aid given to the Committee by the United Nations Technical Assistance Programme and by FAO, ILO and other specialized agencies, as well as by the CAS.

/The delegations

The delegations of the Central American countries also expressed their keen interest in the continuation of economic development studies and projections for the various countries of the area, to be prepared in collaboration with local working groups and in the intensification of such work with a view to an ultimate over-all study of Central America, which might serve as a basis for the evaluation and promotion of the economic integration of the five countries.

3. Technical Assistance for economic development

The Committee heard a report by the United Nations Commissioner for Technical Assistance, which called attention to the most noteworthy events since ECLA's seventh session. In the Commissioner's opinion, the events in question were the improvement in the efficiency of Technical Assistance services, reflected in the marked increase in programmes financed with trust funds; the creation of the Special United Nations Fund for Economic Development and of OPEX; the new centralization provoked by the administrative difficulties of decentralization; and the decrease in the volume of activities under the Expanded Programme.

Two delegations expressed their concern at the reduction in the volume of Technical Assistance just when several countries had increased their contributions. It was thought that the establishment of the Special Fund should not be regarded as an excuse for such a step and that, on the contrary, an attempt ought to be made to establish a fund for larger-scale financing of projects. The opposition of the Latin American countries to centralization was placed on record, but it was pointed out that in so far as the work was carried out in close co-operation with ECLA the drawbacks of /decentralization would

decentralization would be lessened. In connexion with OPEX, satisfaction was also expressed at the experimental character of the scheme, since it was preferable for the countries themselves to decide upon the type of experts whose services they desired. However, it was recognized that Technical Assistance should extend its co-operation to new fields.

In relation to the joint ECIA/TAO economic development training programmes, attention was called to the need for them to be extended to those countries where they had not yet been introduced, and a draft resolution recommending the secretariat to provide this service was unanimously approved. It was also suggested that in the courses referred to attention should be devoted to the importance of private investment and to its role in economic development. The Committee unanimously approved a draft resolution to that effect.

4. Statistics

The Committee considered that the importance of statistics as elements for the adoption of rational decisions and the formulation of Government policy deserved special mention.

It was recognized that the achievements of Governments in their individual countries, with the co-operation of several international bodies, had been very useful, not only on account of **the valuable information** contributed, but because they had helped to improve professional training and to further the progress of statistics at the national level.

Consideration was also given to the desirability of preparing in each country a programme covering the categories of statistics required for

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drawing up and verifying economic development plans.

Since the proposed industrial censuses were so soon to be taken in many Latin American countries, it was felt to be of particular interest that a meeting of statistical experts should be convened at the earliest possible date.

Several delegations presented a draft resolution, which was unanimously approved, requesting the secretariat to measure, in cooperation with the United Nations Statistical Office, the ILSI and other interested bodies, a minimum programme, adapted to the Latin American countries, covering the statistics needed for the more efficient study of economic development problems; to take effective steps to improve national statistical services, and to convene a meeting of a working group composed of experts from the various countries to study the measures required for the levying of industrial censuses and the carrying-out of similar surveys.