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PROGRESS REPORT

INTRODUCTION

Pursuant to Rule 23 of the Rules of Procedure, the Executive Secretary is pleased to submit this report on the work programme of the Secretariat since the end of the Second Session at Havana in June 1949.

It may be recalled that the Commission is authorized by its terms of reference to make studies and investigations of economic and technological problems within Latin America and to initiate and participate in measures designed to raise the level of economic activity and to strengthen the economic relations of the Latin American countries. These objectives are conditioned by the fact that the Commission is a United Nations organ with its Headquarters in Latin America. The countries of this region are thus provided with an opportunity to study, discuss and seek solutions for their common economic problems in relation to the rest of the world. The presence of European as well as Western Hemisphere countries in its membership facilitates the work of the Commission along these lines and expresses the community of interest which exists between Latin America and Europe as well as Latin America and North America. We believe that the investigations being

/carried out

carried out by the Secretariat are advancing the above objectives and will provide a better understanding of the economic problems of this region and that these studies demonstrate the need for common action both within the area and with other areas of the world.

The objectives and the location of the Commission have also influenced its method of work and organization of personnel. The Secretariat is made up principally of Latin American economists and specialists. In carrying out its work, the Secretariat has found it necessary to collect statistical data and make a part of its investigations in the countries themselves. In these circumstances it has been convenient to employ local consultants, most of them on a part-time basis, to collect data and prepare special reports in their own countries. For the most part, these consultants are regularly employed in Central Banks or government departments; those on full-time assignments have been granted temporary leave to assist ECLA. This arrangement has a double advantage: it gives the Commission specialists in the field who have an intimate knowledge of their own national economies and who also have ready access to the best sources of information; for the local economists it provides a stimulus to their work, gives them a broader interest in the problem of economic development and relates their work to that of economists in other Latin American countries. It is our hope that in this way the Commission may not only benefit from their efforts, but may

/also assist

also assist in training Latin American economists -- thus furthering the science of economics in the region as a whole.

Another factor which has strengthened the work of the Secretariat during the past year has been the active co-operation of member governments in making data available, in seconding economists and specialists in various fields to the Commission, and in discussing questions of substance and policy with the Executive Secretary and other members of the staff, regarding the studies being prepared by the Secretariat.

Lastly, the Secretariat has had the collaboration of the Specialized Agencies and the Inter-American Economic and Social Council in practically all of the studies undertaken during this period. An account of the co-ordination of activities of the Commission with the Specialized Agencies and the Inter-American Economic and Social Council is given later in this report.

PROGRAMME OF WORK

a) Economic Survey of Latin America 1949 (E/CN.12/164)

Much of the discussion and most of the resolutions adopted by the Second Session at Havana were concerned in one way or another with the problem of economic development in Latin America. With respect to economic questions, the Fourth General Assembly and the Ninth and Tenth Sessions of the Economic and Social Council -- all of which have been held since the last meeting of this Commission -- adopted resolutions whose

/principal objective

principal objective is the furtherance of economic development of the under-developed countries. It was for these reasons as well as the fact that no analysis of the trends and process of development in Latin America has even been made, that it was decided to organize the Survey around the central idea of economic development.

The Survey has been prepared by the ECLA Research Centre which, as indicated above, has utilized not only its own staff in Santiago but also consultants in a number of countries of the region. The central analysis of the Survey is found in Part II, which states the general problem of economic development in Latin America and attempts to give a theoretical interpretation of the process of development. A decreasing rate of exports (in relation to population growth), accompanied by an increasing rate of industrial development and increasing pressure on imports are examined as a factor of persistent disequilibrium. An analysis of the extension of technical progress to the under-developed countries with particular reference to its effect on the surplus of gainfully employed population and the terms of trade is also presented.

Part III of the Survey consists of a series of studies of development in individual countries during the past twenty-five years. The long-term trends and the rate of development in various branches of industry, mining and agriculture are analysed in relation to population growth, the capacity to
/export and

export and import, the rate of investment, and the need for capital investment.

In preparing the Survey it was found necessary to have staff economists and consultants make on-the-spot investigations and collection of data in a number of countries. From these data statistical series were compiled for the production of agricultural crops, minerals, individual industries (textile, food, cement, iron and steel, chemical, rubber, paper, energy, etc.); for exports (by commodities) and imports (by numerous well defined categories); and for prices of exports and imports. Although most of the statistical series have been compiled for a period of twenty-five years, they go back to the beginning of the century for certain items and countries. A considerable portion of these data are presented in special studies on agriculture, industry and mining, which are included as annexes to the Survey. The statistical data which have been collected and tabulated by the Secretariat will, of course, be useful in the preparation of further studies on the economic development and problems of Latin American countries.

b) Study of Cyclical Fluctuations

A study of cyclical fluctuations, also closely related to the problem of economic development, is being made by the Research centre. This study will give a description of the economic cycle in selected Latin American countries since 1925 and will advance an explanation of the cycle in these countries within the framework of a general cyclical theory. The problem /of an anti-cyclical

of an anti-cyclical policy from the standpoint of the Latin American countries will also be discussed. A major portion of the data required for this study has already been collected and partially analysed. It is expected that the report on cyclical fluctuations, which was requested in the resolution on economic development (E/1330, Rev.1) adopted by the Second Session, will be ready for publication toward the end of this year.

c) Productivity of the Cotton Textile Industry in Selected Latin American Countries

Although this study was not specifically called for by a resolution, it is being undertaken by the Research Centre as a special project in an effort to establish the facts and to analyze one of the basic problems of economic development -- that is, the factors affecting productivity in under-developed countries. A group of three highly qualified textile experts have made investigations in the following countries: Brazil, Chile, Ecuador, Mexico and Peru.

The findings of this study are based upon comprehensive data secured directly through surveys of individual mills. The sampling in each country has been large enough to give results which are representative of the industry as a whole. Productivity is measured by quantity produced per man-hour for a number of types and qualities of goods (e.g. yarn count for spinning). Mills are classified according to age of machinery: new, old and old-new. Productivity for hypothetical new and old mills

/in which

in which optimum conditions would prevail have been established so that the actual productivity of mills studied may be measured against fixed standards. It is believed that the collection of data on standard organizations and productivities for mills of a wide range of sizes and types of textile products should be most valuable to existing mills in improving their manpower organization and efficiency. It should also be a useful point of reference in setting up work assignments, in the drafting of labour contracts, and in determining standard costs. The methodology for setting up the hypothetical mills, for measuring productivity in the Latin American mills and for calculating the ratios of labour consumption used in the study will be explained in the report.

The analysis of productivity will be based on curves which show average labour consumption for old and modern mills, as well as the standard (hypothetical) performance for mills of both types. From these data, labour consumption ratios are derived, showing the influences of type of equipment, size of the mills, and characteristics of their operation. The ratio that corresponds to the way the mill is operated is further broken down in order to ascertain, in figures, the importance of such factors as speed, process efficiency, direct labour (machine tenders), indirect labour (auxiliary workers) and extraordinary stages of processing. Finally, an attempt is made to discover whether these factors are attributable to

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management, skill of the workers, quality of raw materials, lack of specialization of products, lack of machine maintenance, or restrictive labour laws.

This report is scheduled for publication in November of this year.

d) Trade Trends and Policies of Latin American Countries
(E/CN.12/165)

This report is divided into two parts. The first part presents data on recent trade trends, which show that trade with Europe has not recovered its pre-war level and that there was a decrease of both exports and imports with Europe in 1949 as compared with 1948. Another important aspect of the trade problem dealt with in this paper is that of intra-regional trade; the possibilities of increasing trade within the region are explored in relation to the future development of these countries.

The second part of the report discusses the trade policies of Latin American countries, with particular reference to those countries which have had to impose quantitative restrictions in order to reduce the propensity to import. In this section tariffs and exchange controls are also considered, and the evolution of trade policies in Argentina, Brazil and Chile are examined in relation to the economic conditions which gave rise to them. A summary of the findings of this report has been prepared and may be obtained from the Secretariat.

/e) Economic and

e) Economic and Legal Status of Foreign Investments in Selected Countries of Latin America (E/CN.12/166; E/CN.12/166/Add.1-9)

The studies on foreign investments were undertaken by the Secretariat in collaboration with the Department of Economic Affairs at Lake Success, and with the assistance of the Secretariat of the Inter-American Economic and Social Council. The studies thus far cover Argentina, Brazil, Chile, Cuba, Mexico, Uruguay, Colombia, Guatemala and Venezuela. However, only for the first six countries mentioned above do the studies include economic as well as legal conditions affecting foreign investments. These studies give the history and present the status of foreign investments, the importance of such investments in the economy of each of the countries, and the policies of the governments toward foreign investments as expressed in laws and administrative measures.

The attention of the Commission is drawn to a resolution adopted by the Tenth Session of the Economic and Social Council which, among other things, "looks forward to receiving from its appropriate Commissions specific recommendations concerning further national and international action to promote the economic development of under-developed countries...." The records of the debate of the Economic and Social Council on this subject at its Tenth Session are contained in the Official Records of the Council, E/SR.367 (starting paragraph 60), E/SR.368, E/SR.369, E/SR.370 and E/SR.371.

/f) Studies on

f) Studies on Agricultural Credit in Central America (E/CN.12/167)

The Second Session at Havana adopted a Resolution (E/1330/Rev.1) requesting the Executive Secretary to consult with the Director General of the Food and Agriculture Organization for the establishment by the two organizations of joint study groups to carry out special investigations in the field of agriculture. The Executive Secretary, in agreement with the Director General of FAO, established a Cooperative Agricultural Unit to be headed by a representative of FAO.

The Unit, assisted by an expert from the Inter-American Economic and Social Council, has made a study of agricultural credit in each of the Central American countries. The primary purpose of these studies was to assess the credit facilities available to the farmers. A study of credit institutions and of the principal crops produced in each country was made, with special attention being given to types of credits that had proved successful in assisting agricultural producers.

Each of the studies contains conclusions and suggestions for action by the individual governments and by the international organizations concerned. The principal suggestions are as follows:

- 1) That steps should be taken to develop personnel in the field of foreign credit administration;
- 2) That governments, through their banking institutions, should consider the desirability of making larger sums available
/for agricultural

for agricultural credit, especially where the credit system is already on a sound basis;

- 3) That steps should be taken to develop the credit-worthiness of small producers; and
- 4) That an endeavour should be made to establish uniform procedure in credit administration.

With respect to international co-operation a suggestion was made that the Executive Secretary of ECLA and the Director General of FAO should be authorized by the Third Session of ECLA to call a meeting of agricultural credit experts in Central America with a view to considering ways and means of carrying out the suggestions made in the report.

At the request of the Government of El Salvador the study group prepared a memorandum containing specific recommendations for the reorganization of the agricultural credit institutions of the country. The Government of Honduras also requested the assistance of the study group in planning the establishment of a Banco Nacional de Fomento. The expert on loan to the study group from the IA-ECOSOC has worked in close collaboration with representatives of the International Monetary Fund and the International Bank for Reconstruction and Development in advising the Honduran Government on agricultural credit procedures and techniques. This expert has also been acting in the capacity of an advisor on agricultural credit matters to the Banco Nacional de Cuba at the request of the Cuban Government.

/g) Immigration

g) Immigration (E/CN.12/169; E/CN.12/169/Add.1-3)

The study of immigration has been prepared in accordance with Resolution E/CN.12/152 adopted by the Second Session.

In planning the study, the Executive Secretary consulted with the Executive Secretary of the Inter-American Economic and Social Council, in order to prevent any duplication of work in this field. The Executive Secretary has secured the assistance of the Department of Social Affairs of the United Nations, ILO, FAO, WHO and UNESCO in preparing this study.

The present report on immigration is limited to three countries: Brazil, Chile and Venezuela. A more comprehensive survey was originally contemplated, but after taking into consideration the limited resources of the Secretariat, it was decided to include only the countries named above. Two specialists were employed as consultants and visited the three countries in order to collect data and make a first-hand investigation of the problems involved.

This study gives an account of the role of immigrants in the economic development of these countries, the government policies and plans for future immigration, and the needs of each of the countries for immigrants according to broad occupational classifications.

h) Transport Problems

The Executive Secretary presented a "Note on Transport in Latin America" (E/CN.12/119) to the Second Session which

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contained the various resolutions adopted by ECLA, the Transport and Communications Division, and the Economic and Social Council up to that time. It also described briefly the action that had been taken on the various resolutions, It may be recalled that the Economic and Social Council, at its Seventh Session, referred the study of problems of maritime shipping, including freight rates, affecting Latin America, to the Transport and Communications Commission, while the problems of inland transport were referred to ECLA for further study.

The Second Session at Havana adopted a resolution requesting the Executive Secretary to secure the services of economic and technical experts in the field of transport for the purpose of undertaking, with the co-operation of the Governments, the Specialized Agencies and other international organizations, a study of transport problems in Latin America. Thus far, despite continued search and negotiations with other agencies, the Executive Secretary has not been able to secure the services of qualified experts to carry out these studies on a scale envisaged by the resolution.

The Economic Survey of Latin America 1948 contains a chapter on transportation which presents data and defines the principal problems in the various branches of transportation in Latin America. It was felt that any further study to be of practical value would involve field surveys and a detailed analysis of transport systems in relation to economic development. In planning a study such as contemplated by

/the resolution

the resolution it was found that a comprehensive study not only would require highly qualified experts but also funds beyond the resources of the Commission.

However, the Secretariat has, upon request from the Ecuadorian Government, made a limited study of problems of railway and highway transport in that country. This study was originally undertaken in order to determine the degree of efficiency of the Empresa de Ferrocarriles del Estado -- its organization, financial position and costs of operation. The condition and adequacy of the repair shops at Duran and Riobamba were studied. Warehouse facilities and handling of merchandise by the Central Guayaquil-Quito line and its feeder lines were also surveyed. The principal highways and roads were studied with respect to construction, maintenance, costs and traffic density with a view to recommendations for a better co-ordination and administration of the highway system. The first draft of the report by the ECLA expert has been prepared; the final report will not be produced as a Commission document since it is intended for the exclusive use of the Ecuadorian Government.

ECLA's experience on this project would indicate that the problem of inland transport in Latin America might better be dealt with through combined economic-technical surveys made under the technical assistance programme, since the funds of the Commission are not adequate for exhaustive studies

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throughout the region and the problems to be dealt with are usually of a highly technical as well as economic nature. If the Commission were to agree with this opinion the Secretariat could then assist the individual governments or groups of governments in appraising their needs for technical assistance in this field, and participate in the surveys and studies to be made pursuant to the request for technical assistance in accordance with the Economic and Social Council resolutions.

The Executive Secretary is presenting a further note on transport relating to decisions of the Transport and Communications Commission of interest to ECLA (E/CN.12/173). It should be pointed out that the Transport and Communications Commission at its Fourth Session has recommended to the Economic and Social Council that the subject "Problems of Maritime Shipping Affecting Latin America" should be withdrawn from the Agenda of that Commission and left to other competent bodies such as ECLA or other American inter-government organizations. The Third Session of ECLA is not called upon to take any action on this recommendation pending a decision by the Economic and Social Council at its Eleventh Session in July-August 1950.

i) Promotion of Economic Research and Training of Economists.

Although the Secretariat has gathered some information on this subject, it is not yet prepared to make a report. It is hoped that the resources of the Secretariat will be sufficient

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during the next year to undertake a more extensive study of this problem.

j) Technical Assistance

The resolution on technical assistance (E/1330/Rev.1) adopted by the Second Session instructs the Executive Secretary to provide assistance to the Latin American Governments, when requested, in appraising their most urgent needs for technical assistance for economic development.

The Secretariat has collaborated with the United Nations Department of Economic Affairs in ascertaining the nature and scope of the problems to be studied by the United Nations technical missions to Latin American countries. The Secretariat is also collaborating in the 1950 Programme of Economic Development Fellowships under General Assembly Resolution 200 (III) and Public Administration Fellowships and Scholarships under General Assembly Resolution 246 (III). A complete account of assistance given under these programmes is presented in document E/CN.12/171 on the United Nations Programme of Technical Assistance for Economic Development.

It is contemplated that the Commission will play an important role in the United Nations Expanded Co-operative Programme of Technical Assistance. The attention of the delegates is called especially to Part II of Document E/CN.12/171, which discusses in more detail the role of the regional economic commissions in this programme. The Secretariat feels that one

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of its most useful functions in this respect would continue to be to assist the governments in appraising their needs for technical assistance and arranging for the proper facilities to satisfy specific needs. As pointed out in the document referred to above, one of the most valuable contributions to be made in this field is the dissemination of technical information, the ultimate objective of which is to increase industrial and agricultural production. However, it is often necessary to study the factors which affect productivity in a particular situation in order to appraise needs. It is for this reason that the Secretariat believes that the study of productivity of the textile industry may be valuable from the point of view of technical assistance as well as for a better understanding of the economic development of these countries.

CO-ORDINATION OF ACTIVITIES WITH THE SPECIALIZED
AGENCIES AND THE INTER-AMERICAN ECONOMIC AND
SOCIAL COUNCIL

Specialized Agencies

Food and Agriculture Organization. It was realized from the beginning of ECLA's existence that because of the predominance of agricultural activities in Latin America and the many problems common to both organizations it would be necessary to work out a close collaboration between ECLA and FAO in order to supplement each other's work and avoid duplication of effort. An important contribution was made

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by the two organizations in setting up a Joint Working Party which investigated agricultural requisites in Latin America. The report of the Working Party was presented to the Second Session at Havana and is now being published as a United Nations document.

In order to place the joint endeavours of the two organizations on a more permanent basis, the Executive Secretary of ECLA and the Director General of FAO negotiated an agreement for the establishment of an FAO/ECLA Co-operative Unit at ECLA Headquarters. In accordance with this agreement the Director General of FAO has designated a member of his staff to be Chief of the Unit. The duties and responsibilities of the Unit are stated in fairly broad and flexible terms so that it may serve as the focal point for the joint activities and co-ordination of the work of the two organizations in Latin America. Among other things, the Unit has responsibility for such studies as may be carried out in compliance with the resolution on "Problems of Common Concern to ECLA and FAO", adopted by the Second Session, and for appraising specific agricultural problems and needs for technical assistance for agricultural development in Latin America. The work of the Unit during the past six months is described above under section f).

ECLA loaned a consultant to FAO to serve as a member of the Committee of experts, which made a study of world commodity
/problems

problems during August and September 1949. (See FAO Report on World Commodity Problems).

ECLA was represented at the FAO Technical Meeting on Agricultural Extension at Turrialba, Costa Rica, 23 August - 3 September 1949; and at the FAO Pre-Conference Meeting on Latin American Food and Agricultural Outlook and Programmes at Quito, Ecuador, 18 - 24 September 1949.

During the visit of the Director General of FAO to Chile in January of this year a series of meetings were held between the Executive Secretary and the Director General and members of their staffs regarding the work of the two organizations. Later the Director General sent a senior officer of his staff to ECLA Headquarters to advise the Secretariat on the agricultural aspects of the studies being prepared by ECLA. Further discussions were also held at this time regarding the future work of the FAO/ECLA Co-operative Unit.

International Monetary Fund. The Director of the ECLA Research Centre has discussed various aspects of the Second Annual Economic Survey and related studies with officials of the Fund from time to time. The Fund has made available its research studies and other basic data in the field of international trade, finance and monetary problems in order to assist the Secretariat in the preparation of its studies; the studies on trade and foreign investments have especially benefited from this source of data.

/International Bank

International Bank for Reconstruction and Development.

There have been frequent consultations with officials of the Bank regarding the work of the Commission. The Bank has provided for the employment of one of the textile experts to assist in the field survey on the productivity of the cotton textile industry in selected Latin American countries. (See Section c) above).

International Labour Office. The ILO, along with other Specialized Agencies, has collaborated on the study of immigration. As ILO expands its programme in Latin America in accordance with decisions taken by the governing body, it is expected that the two organizations will co-operate closely on problems of common concern.

United Nations Educational, Scientific and Cultural Organization. As a result of negotiations between the Director General of UNESCO and the Executive Secretary of ECLA regarding the possibilities of increasing trade in educational, scientific and cultural materials, the UNESCO has prepared a memorandum (E/CN.12/172) for the consideration of the Third Session.

In order to reduce the obstacles which are now hindering the distribution of educational, scientific and cultural materials, UNESCO has sponsored agreements which would reduce customs duties and eliminate quantitative import restrictions on such materials. Substantial reductions on customs duties have already been obtained through bilateral and multilateral

/tariff negotiations

tariff negotiations. UNESCO now proposes to expand this programme in collaboration with ECLA to Latin America. The programme would be carried out in two stages: a) collection of information on availabilities and requirements of the individual countries for these materials; and b) promotion of increased production and trade in such materials.

It is proposed that ECLA should co-operate by:

- a) the creation of a small working party of government experts with the participation of the Secretariats of UNESCO and ECLA;
- b) an analysis of the list of materials, attached to the UNESCO memorandum, in order to suggest appropriate modifications in the list;
- c) recommendation of ways in which to stimulate production of these materials; and
- d) determination of potential buyers and sellers with a view to facilitating conclusions and procurement agreements.

World Health Organization. Up to the present time co-operation between ECLA and WHO has been limited to exchange of documents and attendance at each other's meetings. ECLA was represented, and presented a paper on the relationship between economic and health problems of Latin America at the Third Meeting of the Directing Council of the Pan-American Sanitary Bureau, which is the Regional Office of the World Health Organization, held at Lima, Peru, 6-12 October 1949.

/Inter-American

Inter-American Economic and Social Council. Through exchange of information and frequent consultations with the Executive Secretary of the IA-ECOSOC, the activities of the Commission have been co-ordinated with those of the Inter-American Economic and Social Council. In accordance with the resolutions passed by the Second Session at Havana, the Executive Secretaries of ECLA and IA-ECOSOC have collaborated on certain studies as indicated below. The Executive Secretary believes that there has been no duplication of effort between the two organizations during the past year.

As a result of negotiations carried on at Lake Success and Washington, the Secretariat of the IA-ECOSOC participated in the planning and preparation of the study on the legal and economic status of foreign investments in selected Latin American countries. (Documents E/CN.12/166 and E/CN.12/166/Add.)

The IA-ECOSOC also actively participated in the preparation of the studies on agricultural credit in Central America. An IA-ECOSOC expert on agricultural credit joined the FAO/ECLA study group in making a survey on which the reports are based. He also acted in the capacity of an advisor to the Governments of El Salvador, Honduras and Cuba regarding the reorganization and improvement of agricultural credit institutions.

The Executive Secretary of ECLA consulted with the Executive Secretary of IA-ECOSOC regarding the desirability and convenience of having a member of the ECLA professional

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staff stationed at the IA-ECOSOC Headquarters in Washington. It was felt that this would result in an even closer collaboration between the two Secretariats. However, it has not as yet been possible for ECLA to have a member of its staff permanently in Washington for this purpose.