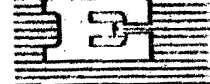


UNITED NATIONS



ECONOMIC  
AND  
SOCIAL COUNCIL



GENERAL  
E/CN.12/AC.28/SR.4  
7 September 1955  
ORIGINAL: ENGLISH

ECONOMIC COMMISSION FOR LATIN AMERICA  
Sixth Session  
Bogotá, Colombia  
29 August 1955

COMMITTEE II

(Economic Development and Technical Assistance)

SUMMARY RECORD OF THE FOURTH MEETING

Held at Bogotá on Wednesday,

7 September 1955 at 3.55 p. m.

CONTENTS:

General discussion (continued)

/PRESENT:

PRESENT :

<u>Chairman:</u>	Mr. MULLER	Venezuela
<u>Rapporteur:</u>	Mr. GUERRERO	Nicaragua
<u>Members:</u>	Mr. MALATESTA	Argentina
	Mr. ARCE	Bolivia
	Mr. CORREIA LIMA	Brazil
	Mr. ORTIZ LOZANO	Colombia
	Mr. HESS ESTRADA	Costa Rica
	Mr. DIAZ MASVIDAL	Cuba
	Mr. RAMIREZ	El Salvador
	Mr. ROSS	United States of America
	Mr. DU PAVILLON	France
	Mr. HUDICOURT	Haiti
	Mr. BUESO ARIAS	Honduras
	Mr. ZAMORA	Mexico
	Mr. GUERRERO	Nicaragua
	Mr. VAREKAMP	Netherlands
	Mr. AIZPU	Panama
	Mr. SCOTT FOX	United Kingdom
	Mr. GINEBRA HENRIQUEZ	Dominican Republic
	Mr. ALAMO BLANCO	Venezuela

/ Also present:

Also present:

Observer from a non-Member State:

Mr. ROBERT Spain

Representatives of Specialized Agencies:

Mr. AMIOT Food and Agriculture  
Organization

Mr. LARSEN International Bank for  
Reconstruction and  
Development

Mr. LASO (International

Mr. VERA (Monetary Fund

Representative of non-governmental organizations:

Category A:

Mr. LUNAZZI International Chamber  
of Commerce

Mr. CARDENAS International Confederation  
of Free Trade Unions

Miss KAHN World Federation  
of Trade Unions

Secretariat:

Mr. PREBISCH Executive Secretary

( Mr. FURTADO  
(  
( Mr. GANZ Secretaries of the Committee

/GENERAL DISCUSSION

GENERAL DISCUSSION

Mr. CORREIA LIMA (Brazil) congratulated the authors of the study on the economic development of Brazil (E/CN.12/364) and welcomed the criticisms and comments made concerning it.

As the Secretary of the Committee had remarked, the study was much more restricted in scope than might at first appear. The Secretary had further stated that the contribution which the Brazilian Bank for Economic Development could make was limited to that of an economic development investment financing agency and that the Bank could give only indirect guidance so far as Brazil's national economic development was concerned. Nevertheless, the establishment of the Bank constituted considerable progress in Brazilian economic policy. It was essential that available resources should be used for the expansion of basic activities - social overhead capital - which required the heaviest investment relative to output.

The Bank was, by its nature and functions, eminently suited to assist in solving Brazil's main economic problems, which were structural maladjustment, disequilibrium in the balance of payments and inflation. With regard to the first problem, the various sectors of the Brazilian economy had developed at an uneven pace and bottlenecks had occurred in transport and electric power. In addition, there were serious disparities in the rate and level of regional development. Both the Government and private enterprise had realized the gravity of the situation and had taken steps to promote public investment and to set up special funds to eliminate the most serious structural defects. Unfortunately the disadvantage of those special funds was that they were for specific purposes and could not be used with any satisfactory flexibility. Greater flexibility in the use of funds had been achieved by

/the establishment

the establishment of the economic re-equipment fund which had been followed by the founding of the National Bank for Economic Development. The Bank was the first stage in a program designed to eliminate the fundamental defects in the Brazilian economy by increasing productive capacity in transport, power and basic industries. The need for an overall programme to forestall the possible development of bottlenecks, was also recognized by the Bank.

Passing to the balance of payment problems, he recalled that the serious shortage of foreign exchange in relation to the demand for imports was not a new phenomenon, although it had been aggravated by current circumstances. Although the import capacity of many countries had increased because of improved terms of trade, in recent years, this situation had been short-lived. The exchange crisis was mainly due to the fact that national import capacity was growing at a slower rate than national income.

One solution to those difficulties was to increase exports, which presupposed greater absorptive capacity by the consumer countries. The other alternative was to make rational use of the limited foreign trade returns. If income from foreign trade was insufficient to cover imports, it was necessary to resort to import substitutions. He then referred briefly to the minimum programme of economic growth outlined in the study on Brazil (E/CN.12/364).

The solution of the problems inherent in the national economic structure could be seriously impeded by inflation. The Brazilian economy had suffered, since the beginning of the Second World War, from a chronic price spiral. The Brazilian Government was formulating an anti-inflationary policy, but effective action depended on the proper study of the basic variables in the economic development process. In order to obtain a complete picture of the structure and operation of the Brazilian economy, the National Bank for Economic

Development had invited the co-operation of ECLA. In the carrying out of a joint study on the economic development of Brazil, additional purposes of the ECLA/Bank collaboration were the training of personnel and the preparation of background data for the programme of investment.

The purpose of the National Bank was to finance the equipping of basic services and to promote the establishment and expansion of essential industries. Its funds were raised by levying a sur-tax on persons and corporations with assessed valuation of taxable income exceeding 10,000 cruzeiros. The National Bank deeply appreciated the analyses prepared by the Joint Brazil/United States Economic Development Commission.

The National Bank intended to hold consultations with Entrepreneurs whose activities were directly concerned with its programme in order to determine the part which it could play, with the assistance of private investors, in achieving the proposed production targets.

In Brazil much of the research into specific economic sectors, for example exports, was very tentative. The studies undertaken would have to be extended and developed and the preliminary conclusions would be subject to modification.

Mr. ALAMO BLANCO (Venezuela) congratulated ECLA on the document *Analyses and Projections of Economic Development. I. An Introduction to the Technique of Programming* (E/CN.12/363). He particularly appreciated that, in chapter one, stress had been laid upon the fact that economic programming was not synonymous with rigid State controls and that neutrality, with respect to State intervention was an essential aspect of the programming technique.

With regard to the importance of raising the rate of domestic saving, he emphasized that the target should never be attained at the expense of

/ reducing the

reducing the consumption level of the lower income groups, or the stagnation of growth in per capita consumption.

He attached equal importance to the expansion of exports and the substitution of imports, and was thus in agreement with Mr. Prebisch on that point.

In his opinion, the burden of the outflow of foreign exchange for remittances of earnings on foreign capital was a serious problem, but he considered that the alternatives of a lack of foreign investment - with the consequent decline in productivity - and of an inflow of foreign capital resulting in a greater volume of exchange remittances should be carefully weighed.

He considered that it was necessary to accelerate the economical complementarity of Latin American countries.

He then referred to specific aspects of economic development in Venezuela, National income had expanded continuously since 1949; and the 1954 domestic saving coefficient (24 per cent) showed that the country was making a considerable effort to finance its economic development with its own resources.

The agricultural and industrial sectors had also progressed, thanks to the credit, tax exemption, and technical aid granted by the Government. In addition, the Plan de Desarrollo del Gobierno Nacional was giving priority to basic facilities and industries. The State had adopted a selective protectionist policy for industry aimed at preventing the establishment of anti-economic activities, while incentives had been offered both for domestic and for foreign capital. The difficulties encountered by Venezuela's economic development arose mainly from double taxation, the instability of prices for

/primary goods

primary goods, trade restrictions imposed on Venezuela's export commodities and lack of capital to finance needed projects.

He stressed that the position of his delegation was that an adequate solution to the economic problems of Latin America required not only internal measures but also international collaboration.

Mr. ZAMORA (Mexico) described the main aspects of the programming in his country as to both administration and methods. Although the methods were far from perfect and differed from the technique of analyses and projections advocated by ECLA, historical checks had proved them to be quite accurate since only a small margin of error had been found. <sup>1/</sup>

Mr. GINEBRA HENRIQUEZ (Dominican Republic) stated that economic development programming should be examined not only from the view-points of individual countries, but also from an international angle since the aid of private foreign capital and the credit and technical assistance of international institutions could be of great help in contributing to a rise in productivity.

In that respect, he considered that the technical assistance provided by the United Nations in the field of economic development, public administration and social services was the best that could be offered in the economic and social sphere, but that such assistance would be more practical and effective if it were guided by the economic development programmes of Latin American countries.

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<sup>1/</sup> For the text of Mr. Zamora's statement see Information Document No. 45.



But foreign capital and aid from abroad were not in themselves sufficient since, as the representative of the United Kingdom had noted, there was some doubt that capital inflows could really raise the coefficient of domestic savings. His Government was therefore intent on the full development of its national resources in a programme aiming at the maintenance of full employment, high standards of living and economic stability.

He emphasized the role played by the export market for primary commodities in the achievement of an integrated economic development, but also pointed out the problem of the limited world demand for primary materials.

There was a need for an appropriate orientation of investment. To provide a guide for investment, the Dominican Republic had created the Corporación de Fomento y Desarrollo.

He commended ECLA's documentation for the present conference.

Mr. DIAZ MASVIDAL (Cuba) was surprised to note the lack of information in the study of foreign investment in Latin America (E/CN.12/360), with regard to development in Cuba since 1952. The data referring to the foreign debt and foreign investment in Cuba excluded all the relevant development since 1952.

The meeting rose at 5.30 p.m.