

UNITED NATIONS

ECONOMIC
AND
SOCIAL COUNCIL



GENERAL

E/CN.12/AC.53/SR.1
31 May 1963

ENGLISH

ORIGINAL: SPANISH

ECONOMIC COMMISSION FOR LATIN AMERICA

Tenth Session

Mar del Plata, Argentina, 6 to 18 May 1963

COMMITTEE ON ECONOMIC AND SOCIAL DEVELOPMENT

SUMMARY RECORD OF THE FIRST MEETING

Held at Mar del Plata, Argentina
on Thursday, 9 May 1963, at 3.30 p.m.

CONTENTS:

- Economic and social development of Latin America
- Progress of planning in Latin America
- Economic problems of agriculture (in co-operation with FAO)

PRESENT:

Chairman:

Mr. SANABRIA

(Paraguay)

Members:

Mr. MARTINEZ

Argentina

Mr. GANDARILLAS

Bolivia

Mr. TAVORA DOS SANTOS

Brazil

Mr. ROY

Canada

Mr. FUENZALIDA

Chile

Mr. SAMPER

Colombia

Mr. AZOFEIFA

Costa Rica

Mr. SERRANO

Cuba

Mr. LOOR

Ecuador

Mr. TRECA

France

Mr. CORLETO

Honduras

Mr. BROWN

Jamaica

Mr. ZUIVERLOON

Kingdom of The
Netherlands

Mr. NAVARRETE

Mexico

Mr. GAITAN

Nicaragua

Mr. GONZALEZ OVIEDO

Paraguay

Mr. BAILETTI

Peru

Mrs. LOWRY

United Kingdom of Great
Britain and Northern
Ireland

Mr. BINGHAM

United States of America

Mr. MALDINI

Uruguay

Mr. LEDESMA

Venezuela

ALSO PRESENT:

Observers from States Members of the
United Nations not members of the
Commission:

Mr. HOFINGER

Austria

Mr. PRUES

Belgium

Mr. PIROCH

Czechoslovakia

Mr. TANI

Japan

Mr. ARROYO

Spain

Mr. LUDINTSEV

Union of Soviet
Socialist Republics/Observers from

Observers from States not members
of the United Nations:

Mr. MEWES

Federal Republic of
GermanyRepresentatives of
specialized agencies:

Mr. RUIZ

International Labour
Organisation

Mr. Hernán SANTA CRUZ

Food and Agriculture
Organization of the
United Nations

Mr. DE SILVA

United Nations Education-
al, Scientific and
Cultural Organization

Mr. GUENTHER

International Monetary
Fund

Mr. VARGAS

World Health Organization

Representatives of inter-
governmental organizations:

Mr. LAGO

Inter-Governmental
Committee for European
Migration

Mr. REY

Inter-American Develop-
ment Bank

Mr. MAGAÑA

Organization of
American StatesRepresentatives of non-
governmental organizations:Category A: Mr. di PACCEInternational Federa-
tion of Christian
Trade UnionsCategory B: Mrs. CASSAGNEInternational Council
of WomenSecretariat: Mr. BALBOASecretary of the
Committee

ECONOMIC AND SOCIAL DEVELOPMENT OF LATIN AMERICA

PROGRESS OF PLANNING IN LATIN AMERICA

ECONOMIC PROBLEMS OF AGRICULTURE (IN CO-OPERATION WITH FAO)

Mr. BALBOA (Secretary of the Committee) referred to the basic documentation of the Committee in respect of its three main topics of discussion. Regarding the over-all aspects of economic and social development, he alluded to three different documents. The contents of the document entitled "Towards a Dynamic Development Policy for Latin America" (E/CN.12/680) had been commented on by the delegations in the plenary meetings. "The Economic Development of Latin America in the Post-war Period" (E/CN.12/659 and Add.1), described the weakness of the growth rate over the last few years and attempted to evaluate the different stages of development attained during that period, explaining that the countries had not all been given the same length of treatment in the study because the information available was insufficient. The document concerned analysed in particular the part played by the external sector in Latin America's growth, the repercussions of the deterioration in the terms of trade and the level of external financing. The second volume of the study dealt with personal income distribution. Estimates arrived at in different countries had coincided with a distribution pattern devised by the ECLA secretariat on a hypothetical basis in the document in question as prevailing in the Latin American countries. "The Role of External Financing in the Economic Development of Latin America" (E/CN.12/649) was the first systematic effort to assemble information relating to sources and flows of capital and financing in the region during the past ten years. It examined autonomous and compensatory capital movements, direct investment and loans from international institutions, private sources and foreign Governments. It presented the current picture of Latin America's external financial situation and drew attention, inter alia, to the increase in the servicing and amortization of foreign investment and loans.

Mr. GANDARILLAS (Bolivia) said that of the prerequisites of political, social, economic and technical feasibility, Bolivia had passed the test with respect to the first two with its 1962-71 plan, which attempted to relate the

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economic and social processes. After commenting that there were no rigid rules and no standard methodology for the development of nations, since planning was not done in the abstract, he pointed out that the economic and social development process in Bolivia presupposed: (1) The definition of a policy which involved the fight against under-development, backwardness, hunger and social wants; political decisions at a technical level, and the necessity to provide political independence with economic backing; and likewise the necessity for setting rational targets and devising suitable means of attaining them; (2) Planning, complemented by economic policy, using as instruments econometric models, social accounts (national income, input-output tables, etc.) and budgets, and passing through the phases of diagnosis, prognosis, for the establishment of objectives and targets, sectoral programming and financial programming; (3) Implementation in its physical aspects (biennial programmes, investment schedules, specific projects, distributed inputs and manpower mobility) and its economic and financial and administrative aspects; (4) Execution of the plan, comprising the selection, study, preparation and evaluation of projects, allocation of resources through internal and external financing machinery, execution of projects, physical and accounting control of projects, evaluation of results, administrative, technical and economic co-ordination of all phases, and adoption of economic policy measures.

Bolivia had achieved monetary stabilization by means of a ten-year economic development plan, had obtained funds for studies of projects and the strengthening of its administration and budget, and had rationalized the banking system. The country needed to improve its technical capacity for preparing specific projects; to co-ordinate the technical assistance it received from all institutions; to attain flexibility of financing with a view to the proper and timely launching of projects; to obtain, besides the stabilization fund, a revolving development fund, and to secure assistance from IDB for financing exports of raw materials.

Mr. NAVARRETE (Mexico) said that ECLA had presented very valuable documentation on the topic under discussion, especially in regard to external financing, the subject of document E/CN.12/649.

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He began by enumerating the disquieting features of the development of Latin America during the post-war period. The main one was the sharp drop in the annual growth rate of the per capita national products, which had fallen from 1.3 to 1 per cent during the second half of the fifties.

The decline had coincided with an unprecedentedly rapid increase in the population, the structure of which, moreover, was characterized by a high proportion of children and adolescents, so that a relatively small sector bore the anus of maintaining 45 per cent of the total population. The problem was aggravated by the increasing rate of drift to the towns, which involved further difficulties of an economic and social nature. ECLA had very rightly laid stress on those aspects of the situation.

Other points that had been brought out in the ECLA studies included the deficiencies in the structure of employment imputable to the failure of production of goods and services to expand in the same proportion as trade and government activities; disguised unemployment; low productivity in the agricultural sector; the slackening of external demand as a determinant of the decrease in the rate of development; the more rapid expansion of internal than of external demand; balance-of-payments problems; the slowness of the capital formation process; and so forth.

The external financing problem deserved special consideration since it had been shown that although the inflow of foreign capital had not so far been reflected in an acceleration of economic development, it could pave the way for the introduction of structural reforms which would ultimately redound to the benefit of the Latin American economies. External financing would have to be adjusted to each individual country's needs.

As practical ways of solving all the problems raised, he put forward the following suggestions: (a) That an annual rate of development of 3 per cent - high enough for under-employment and unemployment to be combated - should be established as a minimum target; (b) That the investment coefficient should be raised to 20 per cent, which would imply the formulation of new criteria for investment programmes; (c) That export industries should be established; (d) That the geographical distribution of income should be improved; (e) That measures for the financing of investment should be adopted. In connexion with the last-named point, he cited the

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case of Mexico, which at first had resorted primarily to overdrafts on the central bank, but had recently introduced a tax reform designed to prevent the increase in income from benefiting only a few. ECLA might advantageously study ways and means of tapping the savings of the middle and upper income groups, and thoroughly explore the question of capital markets - either on its own account or in co-operation with IDB - as well as that of the structure of savings in Latin America.

The volume of external saving ought to be greatly increased, for although it had expanded in recent years, it had not produced the desired effect of expediting development or relieving the pressure on foreign exchange reserves. ECLA might investigate the repercussions of external capital on technology and employment, from the standpoint of economic integration, and also compare the results of its application to infrastructure projects or to the production of goods. In relation to capital inflows, it would be desirable to simplify disbursement formalities, both in the financial agencies and within each country's internal machinery.

Mr. MARTINEZ (Argentina) said that in his opinion, while it was useful to study the over-all causes of the stagnation of Latin America's rate of development, it was also advisable to analyse the situation of each individual country, as in the case of Argentina. In the ECLA studies reiterated emphasis had been laid on institutional factors as determinants of the region's weak rate of economic development. In Argentina, the most important of those structural causes lay in the inadequacy of the infrastructure. For example, from 1945 to 1954 capital invested in the infrastructure had increased by only 6 per cent, whereas the capital equipment installed in the industries producing final goods had expanded by 35 per cent. Owing to the high degree of obsolescence of the country's infrastructure, it had been necessary, from 1960 onwards, to intensify the investment effort in respect of transport, power and other basic sectors to such an extent that the trend of capital formation as between producer industries and infrastructure had been reversed, and the ratio currently stood at 3:1 in favour of the latter.

Hence the Argentine economy would be compelled for some time to come to sacrifice production levels in its end good industries in favour of the

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continued application of a considerable proportion of its national expenditure to investment in the infrastructure.

At the same time, that effort to expand the country's basic social capital implied a marked increase in total public expenditure, which resulted in a Treasury deficit.

Another of the structural defects displayed by the Argentine economy and mentioned in the ECLA studies was the slow evolution of production for export in comparison with the elasticity of imports, a state of affairs which was reflected in the balance-of-payments deficit and in the generation of new inflationary movements.

It was also necessary to take into account the lack of co-ordination between development programmes and monetary stabilization policy; nor should the inefficient operation of certain State enterprises be overlooked.

The need for ordered growth implied ample and long-term external financing, operating through flexible machinery, which would make it possible to complement the intensive investment in infrastructure for increasing the production of certain final products at present restricted by the country's low import capacity.

For Argentina to overcome the development crisis, effective programming of essential investments was imperative, as a means of establishing economic and social priority for such investments. Economic policy hitherto had been directed towards substitution rather than towards the increase and diversification of exports. In that respect, the possibility was being considered of arranging with the industrialized countries a more favourable treatment for Argentine products and, with regard to internal demand, there was a need to maintain a stable relation between prices and profits in the agricultural sector as compared with other internal production sectors.

Finally, attention should be drawn to the structural factor so often mentioned, namely the deterioration in the terms of trade, which had also had serious repercussions on Argentina's external purchasing power.

With regard to international financial assistance, he thought that it should be attuned to the slow progress of technological development, to the real amount of expenditure in foreign exchange required for that transformation, and to the natural insufficiency of domestic savings

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during the period when the major effort of renewing and expanding the infrastructure of the country was proceeding. If those two factors were not taken into account, any policy of intensifying development on the basis of short-term external financing implying speedy repayment would be hazardous.

If long-term financing for speedier economic development was to be obtained more easily, there would have to be greater flexibility in the operations of the international credit institutions, which would have to extend their assistance to new fields, such as the export of durable goods and internal production of capital equipment. The credit margins granted by countries having surpluses in trade with the region might also be extended, and the countries supplying capital goods might consolidate and extend the credits granted to their Latin American purchasers.

The CHAIRMAN gave the floor to two observers who wished to speak on the item under discussion.

Mrs. CASSAGNE (International Council of Women) suggested that, in view of the close connexion between the education of a people and its economic and social development, more and better education on the ideals of the United Nations should be given to peoples during the Development Decade, along with a study of the necessary planning.

Mr. di PACCE (International Federation of Christian Trade Unions) noted that there was a will to change among the Latin American masses, and that it was important to secure their active support for the various solutions and formulas for economic and social development. To that end he suggested: (a) speedy establishment of information media to explain clearly and simply economic and social processes and the solutions advocated; (b) the prompt establishment of bodies which would enable the workers' organizations to take a responsible and active part in the formulation and application of economic and social development policies as a part of national and regional plans. The citizens would thereby be made to feel responsible for the establishment of the common welfare.

The meeting rose at 6.50 p.m.

