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TO THE ECONOMIC AND SOCIAL COUNCIL

Part I

Note: The present text is provisional, with some sections as yet incomplete, and is subject to changes in substance and style.

TABLE OF CONTENTS

	<u>Page</u>
ABBREVIATIONS.....	vi
PART I WORK OF THE COMMISSION SINCE THE ELEVENTH SESSION.....	1
General.....	
A. ACTIVITIES OF SUBSIDIARY BODIES.....	10
TRADE COMMITTEE.....	10
CENTRAL AMERICAN ECONOMIC CO-OPERATION COMMITTEE.....	13
Central American Housing, Building and Planning Sub-Committee.....	19
Other meetings and seminars connected with the work of the Central American Economic Co-operation Committee.....	20
B. OTHER ACTIVITIES.....	22
MEETINGS AND SEMINARS.....	22
ECONOMIC DEVELOPMENT AND RESEARCH DIVISION.....	27
Economic Survey of Latin America.....	28
Human resources.....	29
Public sector studies.....	30
Study on economic policy.....	30
Studies on income distribution.....	31
Co-operation with the Latin American Institute for Economic and Social Planning.....	33
LATIN AMERICAN ECONOMIC PROJECTIONS CENTRE.....	34
SOCIAL AFFAIRS DIVISION .....	41
Social planning.....	42
Social aspects of economic development.....	44
Demographic studies.....	45
Community development.....	48
Social services.....	49
Housing.....	51

	<u>Page</u>
JOINT/ECLA/INSTITUTE/IDB PROGRAMME FOR THE INTEGRATION OF INDUSTRIAL DEVELOPMENT.....	52
Industrial economics.....	53
Steel industry.....	55
Non-ferrous metals.....	57
Metal-transforming industries.....	57
Textile industry.....	59
Chemical industries.....	61
Pulp and paper industry.....	62
Technological research.....	64
TRADE POLICY DIVISION.....	66
Supplementary work for the United Nations Conference on Trade and Development.....	68
Regional Advisory Group on Trade Policy.....	69
Common market and integration.....	71
Trade policy course.....	72
Special studies section.....	73
JOINT ECLA/FAO AGRICULTURE DIVISION.....	74
Agricultural inputs.....	74
Agricultural integration in Latin America.....	76
Co-operation with the Inter-American Committee for Agricultural Development (CIDA).....	76
STATISTICAL DIVISION.....	77
Continuing activities.....	77
Special studies or activities.....	78
Technical assistance.....	79
Co-operation with the Latin American Institute for Economic and Social Planning.....	79
NATURAL RESOURCES AND ENERGY PROGRAMME.....	80
Natural resources.....	80
Energy.....	82

	<u>Page</u>
Water resources.....	82
Co-operation with the Latin American Institute for Economic and Social Planning.....	84
TRANSPORT PROGRAMME.....	85
Problems of maritime transport in relation to the work of UNCTAD.....	85
Transport and regional economic integration.....	88
The problem of insurance in UNCTAD.....	93
MEXICO OFFICE.....	94
JOINT ECLA/BNDE CENTRE FOR ECONOMIC DEVELOPMENT.....	95
Research programme.....	95
Training programme.....	96
WASHINGTON OFFICE.....	97
TECHNICAL ASSISTANCE ACTIVITIES.....	98
SPECIAL FUND.....	100
UNITED NATIONS HEADQUARTERS AND REGIONAL ECONOMIC COMMISSIONS.....	102
C. RELATIONS WITH SPECIALIZED AGENCIES AND OTHER ORGANIZATIONS.....	103
Specialized agencies.....	103
OAS/IDB/ECLA <u>Ad Hoc</u> Committee on Co-operation.....	104
Inter-American Committee for Agricultural Development (CIDA).....	104
Organization of American States (OAS).....	105
Inter-American Development Bank (IDB).....	105
Inter-governmental organizations.....	106
Non-governmental organizations.....	106

#### ABBREVIATIONS

ADI	Advisory Committee on Industrial Development (ALALC)
AID	Agency for International Development
ALALC	Latin American Free-Trade Association
BCIE	Central American Bank for Economic Integration
BNDE	Banco Nacional do Desenvolvimento Economico (Brazilian National Economic Development Bank)
BTAO	Bureau of Technical Assistance Operations
CASTALA	Conference on the Application of Science and Technology to Economic Development in Latin America
CCE	Central American Economic Co-operation Committee
CIDA	Inter-American Committee for Agricultural Development
CONADE	National Development Council (Argentina)
CORDIPLAN	Central Co-ordination and Planning Office (Venezuela)
CREFAL	Regional Fundamental Education Centre for Community Development in Latin America
CUODE	Classification of external trade by economic use or destination
ECLA	Economic Commission for Latin America
EEC	European Economic Community
FAO	Food and Agriculture Organization of the United Nations
GATT	General Agreement on Tariffs and Trade
ICAP	Inter-American Committee on the Alliance for Progress
IDB	Inter-American Development Bank
OAS	Organization of American States
OIT	International Labour Organization
PASB	Pan American Sanitary Bureau
SIECA	Permanent Secretariat of the General Treaty on Central American Economic Integration
SUDENE	Superintendencia do Desenvolvimento do Nordeste (Superintendency for the Development of the North-East) (Brazil)
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
WHO	World Health Organization

Part I

WORK OF THE COMMISSION SINCE THE ELEVENTH SESSION

General

The pattern of work laid down by the Commission at its eleventh session has led to the concentration of resources on the following activities: a speedier advance towards Latin American economic integration in both ALALC and the Central American economic integration programme; research on the industrialization process and its relation to integration; the preparation of the Economic Survey of Latin America, 1965; the evaluation of economic prospects and the formulation of projections for the Latin American countries; the provision of technical assistance of various kinds, and the preparation of studies submitted to a number of meetings and conferences organized by the secretariat in connexion with integration and industrialization or by other branches of the United Nations family with the co-operation of ECLA.

At its eleventh session, the Commission had requested the secretariat to re-examine, in conjunction with Government and other experts, the findings of its studies on alternative methods of accelerating progress towards integration. For this purpose, a meeting of Latin American Government experts on economic integration was convened in September. On that occasion, a frank exchange of views took place between the Government experts, the secretariat and representatives of other organizations concerned with integration problems. Although in some cases opinions differed on the measures to be adopted, there was general agreement on the need to speed up and expand the integration process in Latin America in order to establish a common market as soon as possible. On the basis of this exchange of opinion, the secretariat was able to fulfil its advisory functions to the members of ALALC, and prepared a list of suggestions for consideration by its Standing Executive Committee prior to the ALALC meeting of Ministers of Foreign Affairs in November. Many of the resolutions adopted on that occasion reflect the guiding principles and ideas put forward at the meeting of Government experts.

/In December,

In December, the secretariat, together with a panel of senior consultants examined a number of key questions of trade and development, with particular reference to the implementation of the recommendations adopted by the United Nations Conference on Trade and Development (UNCTAD) on basic commodities, manufactures, tariff preferences and so forth. Relationships between Latin America and the European Economic Community (EEC), the General Agreement on Tariffs and Trade (GATT) and UNCTAD were also reviewed, together with measures for ensuring more effective trade policies for the Latin American countries. In addition, for the first time in many years, the problems of international liquidity was explored by ECLA, together with the different proposals for modifying the international monetary system which were studied in relation to their effects on the external sector and on the economic development of Latin America. However, the main purpose of the meeting was to obtain the consultants some indications on the role which the ECLA secretariat might play in relation to Latin America's trade problems with the rest of the world.

In January 1966, the Central American Economic Co-operation Committee held its ninth session. One of the principal documents prepared for this Conference (E/CN.12/CCE/351/Rev.1) was a study evaluating the results of the economic integration process in Central America as part of the recent assessment of the effects of the integration programme in the first five years since it was formally inaugurated by the General Treaty on Central American Economic Integration, and during the fifteen years since the Central American governments first decided to work together towards a common goal. The main purpose of the meeting was to determine the guiding principles and targets for the next stage in the move towards a comprehensive Central American common market.

While these activities were taking place, material was being prepared for another key meeting in March, namely, the Latin American Symposium on Industrial Development, organized close in co-operation with the United Nations Centre for Industrial Development, as part of a series of regional conferences to prepare the ground for an international Symposium on Industrial Development to be held in 1967. One of the main objectives of

/this meeting

this meeting was to analyze the process of industrialization in Latin America and to establish the bases of a unified policy to be followed in the discussions at the International Symposium.

Special mention should be made of two resolutions adopted at the eleventh session which thus far it has not been possible to carry out. The first - resolution 251 (XI) - requested that the Trade Committee should be convened before 15 December 1965, "so that it may adopt such recommendations as it deems appropriate to accelerate integration and economic complementarity in Latin America....". Since it was necessary to prepare the meeting of government experts on integration problems, and shortly afterwards other important meetings on trade and integration were held (such as the ALAIC Meeting of Ministers of Foreign Affairs and the ninth session of the Central American Economic Co-operation Committee), the Executive Secretary thought it advisable to postpone the meeting of the Trade Committee until 1966, in order to allow the decisions of the above-mentioned meetings to make their effect felt.

The second - resolution 257 (XI) - requested the secretariat to convene in 1965 a meeting of experts "to suggest specific measures for securing the timely and extensive dissemination of the Commission's documentation among centres of education and private sector organizations in Latin America..", and also to prepare a report on the recommendations of the meeting of experts for submission of the Committee of the Whole. Although additional funds were asked for in order to comply with these recommendations, they were not forthcoming in 1965, when the secretariat suffered from financial restrictions as a result of the general crisis in the Organization. The Executive Secretary is aware of the need to hold the above-mentioned meeting, which the Commission regarded as a question of priority, but he is obliged to report that since the General Assembly allocated no funds for that purpose in 1966 (the sum required being estimated at 8,000 dollars), it is not possible to carry out this recommendation for the time being.

However, steps have been taken to publicize the Commission's work; in particular, in 1965, the Commission published, for the first time, a pamphlet containing a summary of the conclusions of the Economic Survey for



Latin America, 1964. This new venture will be continued in 1966, and in addition it is proposed to publish summaries of other important studies prepared by the ECLA secretariat.

With respect to technical assistance, the secretariat's responsibilities have continued to increase at the administrative and substantive levels. The first steps have been taken to co-operate in the preparation of the 1967-68 regional programme, and missions have been sent to a number of countries to assist Governments and Resident representatives of the United Nations Development Programme to match the technical assistance requests of the different countries to their economic and social development targets. The secretariat took part in a number of inter-regional seminars organized within the framework of technical assistance activities, as well as in other seminars and working groups convened at the regional level.

The ECLA secretariat contributed papers to two major regional conferences and took part in the discussions. The first, held in September, was the Conference on the Application of Science and Technology to the Development of Latin America, organized by UNESCO with the co-operation of ECLA, as part of the follow-up work to the 1963 United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Areas. It drew the attention of Latin American scientists to the need to persuade Governments to increase their budget appropriations for scientific research and training, and pinpointed some of the main scientific and technical problems on which such research should be concentrated.

The second, held in December, was the Latin American Conference on the Problems of Children and Youth in National Development, organized by UNICEF with the co-sponsorship of ECLA and the Latin American Institute for Economic and Social Planning. Many of the studies presented on this occasion pave the way for future research on ways of solving some of the problems that face young people in a developing area. Moreover, by bringing together the authorities concerned respectively with children's welfare and economic development planning in the different countries, the conference enabled further progress to be made in establishing common targets in relation to the needs of children and youth.

/Similarly, as

Similarly, as requested at the eleventh session of the Commission, the secretariat has been collaborating with UNESCO in the preparations for the Conference of Ministers of Education and Ministers in charge of Planning in Latin America and the Caribbean, which will take place at Buenos Aires in June 1966.

In addition, the secretariat has continued to co-operate with organizations of the Inter-American system. The Executive Secretary and Deputy Executive Secretary participated in the OAS Conference of Ministers of Foreign Affairs held at Rio de Janeiro in November 1965, and in the fourth session of the Inter-American Economic and Social Council. at Buenos Aires in March 1966.

Meanwhile, work had continued on the Economic Survey of Latin America, 1965. According to the data available, recent trends in Latin America's economy as a whole show that for two successive years there has been a relatively high rate of over-all growth. The region's domestic product increased by more than 6 per cent in 1964 and 1965, but since this was to a large extent a recovery after two bad years, the average annual rate of growth of the product during the period 1960-65 was only 4.5 per cent; in other words, the per capita product grew at an average annual rate of 1.6 per cent, which is slightly below the figure of 1.7 per cent recorded during 1955-60 and considerably less than the rate of 2.2 per cent reached in 1950-55.

In considering the results during the first half of the sixties, it must be remembered that the efforts being made by the region aim beyond the achievement of quantitative targets for accelerating economic growth - which is still too slow - to the transformation of the Latin American economies so that the benefits of development can be made available to all the peoples of the region. It is in pursuit of this objective that the work of planning and structural reform acquires its full meaning, and justification can be found for the increase in domestic savings and the extensive technical and financial assistance flowing in from abroad. Progress has been made in this direction through planning of public sector activities and the use of resources: projects for Latin American economic integration, with the consequent increase in intraregional trade; the

/opening up

opening up of new channels for external co-operation and the formulation of fundamental concepts in international trade. However, the work has only just begun and formidable obstacles lie in its way; whether they can be removed or not depends partly on the Latin American countries themselves and partly on decisions that are beyond their power to take.

Clearly, the external sector continues to be a highly influential factor although Latin America's growth has been strengthened by a drive from within the region itself. The average annual expansion of the domestic product has been very similar to that of the purchasing power of exports (4.5 per cent in the five years from 1960-65). Similarly the internal evolution of most countries in the region, particularly if Argentina and Brazil are excluded, continues to be strongly influenced by changes in the volume of exports and the terms of trade.

This explains the concern aroused by the fact that Latin America's relative share in world trade continues to decline. Whereas over-all world trade increased by 45 per cent between 1960 and 1965, the region's exports expanded by only 28 per cent. The greatest reductions were recorded in trade with the United States (from 21.3 to 17.5 per cent between those same years), and others, on a lesser scale, in sales to the European Free-Trade Association (from almost 5.5 per cent to slightly above 4 per cent), and to Canada and the European Economic Community (in both cases from 5.5 to 5 per cent). The only favourable factors were the increase in sales to Japan and the development of intraregional trade.

It should be noted that Latin American integration activities resulted in increased imports among ALAIC countries, in both relative and absolute terms, i.e. they rose from 376 to 750 million dollars between 1960 and 1965; similarly, imports within the Central American Common Market rose from 33 to 140 million dollars during the same period, and for its five member countries integration is progressively becoming an organic part of their production systems.

In institutional terms there has also been progress within ALAIC, as testified by the recent establishment of the Council of Ministers of Foreign Affairs; the multilateral agreements for the clearing of balances reached by the Central Banks; arrangements for strengthening the functions

/of the

of the Standing Executive Committee; action aiming at the adoption of a system of ad valorem duties; the preparation of a programme for modernizing and re-organizing industries; and the development of credit facilities for exports. However, the situation is less encouraging with respect to the concessions provided for by the Montevideo Treaty, the complementarity agreements and the institution of automatic liberalization mechanisms. However, Mexico and the Central American countries are planning to increase their reciprocal trade, as the first step towards the establishment of advantageous relationships between ALAIC and the Central American Common Market, and of a structure that is truly Latin American in scope.

Nearly all the serious domestic and external problems facing Latin America's economic development converge in the industrial sector, which now has new and more important tasks to shoulder. Yet the growth rate of manufacturing production, which had reached an annual average of 6 per cent during 1950-55 and 6.6 per cent in 1955-60, was only 5 per cent during 1960-65. As a result of this, there were few changes in the structure of Latin America's economy in terms of the sectoral composition of the product, since although the total product increased by 30 per cent the contribution of manufacturing industry went up by only one point from 21.7 to 22.7 per cent between 1960 and 1965. These over-all figures have been affected by the evolution of the Brazilian economy, where agricultural growth has, since 1960, exceeded that of industry. There are signs that the industrial process is weakening in other countries too, largely due to the fact that import substitution offers less incentives, but also because of inadequate industrial planning in Latin American development programmes.

While inflationary pressures continue to be a feature of recent economic trends in many Latin American countries, as a general rule economic policy is tending more and more to link up problems of stability with the requirements of vigorous, balanced growth by integrating their objectives and co-ordinating their instruments in order to eliminate possible contradictions.

The rate of capital formation and expansion of production capacity, which is a vital factor in the development of the Latin American economies is affected by the persistence of unstable conditions and the indirect

/repercussions of

repercussions of the policies adopted to counteract such conditions. In recent years, gross capital formation, which is still too low to ensure satisfactory growth, has increased less than the domestic product, and the percentage relationship between gross investment and the total product dropped from 17.5 to 16.5 per cent between 1960 and 1965. Public investment increased considerably during the same period while capital formation in the private sector steadily declined, the result being heavier public investment in infrastructural works and social services. These factors, combined with the relative contraction of private investment, may seriously retard the expansion of the industrial base and of other production sectors. This means that some of the economic growth recorded in the last few years can be ascribed to better use of existing production capacity.

The low level of investment in recent years is partly attributable to the opposing trends of domestic and external savings. In 1961 external savings financed over 9 per cent of gross investment in the region, but as a result of the ensuing contraction in net external financing, domestic savings financed 98 per cent of total investment in 1965. The surplus on the current account of the balance of payments for Argentina and Brazil in 1964 and 1965, and the reduction in net outflows of capital from Venezuela have had a bearing on the regional trend. During the five years from 1960 to 1965, the other Latin American countries, excluding Cuba, had relatively high, but not growing external savings, and with these they financed about 15 per cent of gross domestic investment.

The fact that Latin America has steadily increased the proportion of national savings in regional investment is partly to the region's heavy indebtedness abroad. The restrictive policies that had to be applied reduced the deficit on current account from 1,100 to almost 300 million dollars between 1960 and 1965. The reductions took place mainly in Argentina, Brazil and Uruguay and, to a lesser extent, in Chile.

The region's total capacity to import has been consistently less than total exports of goods and services, since the volume of factor abroad has exceeded the net autonomous movements of capital. Venezuela is a special case and is also the decisive factor in this situation, since if

/it is

it is excluded, the proportions are inverted. However, as regards the other countries in the region, the increased capacity to import represented by autonomous capital movements has pursued a marked downward trend to the point of becoming negative in 1965. This trend has been affected by the movements of direct private investment, which has been replaced to a great extent by long-term loans from international financing institutions and the United States.

The likelihood that the debts accumulated as a result of external borrowing will become even heavier in the next few years makes it even more urgent that sound plans should be drawn up for refinancing these loans, and some countries in the region have recently set about doing so.

Two numbers of the Economic Bulletin for Latin America have been prepared since the eleventh session of the Commission. Volume X, No. 2, was published in November 1965, and comprised the following articles: "Aspects of development and trade in the Commonwealth Caribbean" by Alister McIntyre; "Structural changes in employment within the context of Latin America's economic development"; "Foreign trade of Argentina and Australia, 1930 to 1960 (II)" by Ruth Kelly. The features covering recent activities of ECLA and of the Latin American Institute for Economic and Social Planning were continued in this volume and in Volume XI, No. 1. The latter also contains the following articles: "International money reform" by Robert Triffin of Yale University; "Social development" and "Social planning"; "a survey of conceptual and practical problems in Latin America" by the Social Affairs Division; "Social service in Latin America: functions and relationships to development" by Virginia A. Paraiso; and a methodological paper on "Income distribution by levels in Argentina".

In addition, two numbers of the Statistical Bulletin for Latin America were published, Volume II, No. 2, in October 1965, and Volume III, No. 1, in March 1966.

During the period covered by this report, work has proceeded on the United Nations building in Santiago and it is expected that the ECLA secretariat will move into it in the second half of 1966. Over the last few months the gifts received from member Governments of the Commission have been incorporated into the building.

#### A. ACTIVITIES OF SUBSIDIARY BODIES

This section of the report covers the activities of the Trade Committee and of the Central American Economic Co-operation Committee. Although the former has not met since the eleventh session of the Commission, there have been two meetings on subjects closely related to its work, as described below.

##### TRADE COMMITTEE

One important decision at the eleventh session was that the proposals put forward by the ECLA secretariat concerning economic integration policies for Latin America (E/CN.12/728) should be reviewed by government experts and representatives of agencies working on integration problems, prior to the next session of the Trade Committee. Accordingly, the secretariat convened a meeting of government experts at ECIA headquarters, from 27 September to 4 October 1965. It brought together fifty nine experts from Argentina, Brazil, Bolivia, Chile, Colombia, Cuba, Ecuador, Guatemala, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela, for discussions with representatives of the IDB, ICAP, the Panel of Nine, ALALC, SIECA, FAO, ECLA and the Latin American Institute for Economic and Social Planning.

It provided an opportunity for a frank exchange of views on the measures to be adopted with respect to integration. Although there were differing opinions as to the paths to follow, the meeting was unanimous respecting the need to accelerate and expand the integration process in Latin America. There was, moreover, a general consensus that, in order to achieve these aims, practical decisions would have to be adopted which would tend towards the following:

(a) Acceleration of tariff reduction and liberalization of reciprocal trade; harmonization of customs treatment towards the rest of the world through a study of measures needed for zonal preferences; the provision of technical and financial assistance and the promotion of investment programmes in different economic and infrastructure activities;

/(b) Strengthening

- (b) Strengthening of preferential treatment for countries at a relatively less advanced stage of economic development;
- (c) Consideration of special problems affecting countries with insufficient markets;
- (d) The elaboration of specific decisions for putting into effect a broader concept of the principle of reciprocity;
- (e) The establishment of a more adequate mechanism of safety clauses and a system for financial and technical assistance to facilitate those adjustments which may arise from expanding markets;
- (f) The swifter conclusion of agreements by branches of industry;
- (g) The determination of adequate measures for encouraging agricultural integration;
- (h) Decisions concerning the establishment of an efficient institutional structure for administering and carrying forward the integration process;
- (i) The study of practical measures for linking the two existing integration areas;
- (j) Co-ordination at the regional level of the analytical, research and planning activities carried out by different organizations working on integration and, in particular, ECLA, IDB and ALALC, in order to avoid duplication, make for the more efficient use of resources and to strengthen the action and subsequent development of ALALC.

There were divergent opinions as to the timing of the different decisions and the technical characteristics of specific formulae for achieving these essential objectives. However, government experts and representatives of ALALC, ECLA and the other regional organizations were all agreed as to the nature and scope of the fundamental decisions that would have to be made in order to advance towards integration.

The documents prepared by the secretariat and the views expressed at the meeting afforded the secretariat a basis on which to provide the advisory services that it was requested to extend under the terms of the Montevideo Treaty. Its suggestions and ideas were condensed and submitted to the Standing Executive Committee of ALALC, which met at Montevideo in

/November prior



November prior to the meeting of Ministers for Foreign Affairs of the same Association. Several of the resolutions adopted at the latter meeting reflected the guiding principles and ideas put forward at the meeting of government experts in September.

Concurrently with this work, the secretariat continued to conduct research on the aspects of Latin America's trade problems that are related to the work of UNCTAD.

Subsequently, a meeting on trade policy, financed by BTAO, was held at ECLA headquarters from 13 to 20 December 1965, and was attended by six experts as well as staff members of UNCTAD and ECLA. Discussions centred on a working paper prepared by the Trade Policy Division, which listed the key questions of trade policy at the present time gave the background facts. Particular attention was paid to some specific ways of increasing the volume of Latin American exports to diversified markets and of solving the so-called problems of "vertical" preferences between developed and developing countries. In addition, the meeting reviewed Latin America's institutional relations with the European Economic Community and GATT, the effects of the Kennedy Round with respect to the Latin American countries, and their attitude to UNCTAD, as well as measures for ensuring more effective co-ordination of the trade policies pursued by the countries in the region. Since Latin American export should be promoted not only through trade policy measures but also by measures connected with payment systems, the problem of international liquidity was also discussed for the first time in many years within the ECLA secretariat.

Following this meeting, a preliminary report and summary were prepared by the secretariat, in which a number of policy guide-lines were put forward. These reports were submitted for comments, on an unofficial basis, to the annual meeting of the Special Commission for Latin American Co-ordination (CECLA) which took place in March 1966 in Buenos Aires.

/CENTRAL AMERICAN

CENTRAL AMERICAN ECONOMIC CO-OPERATION COMMITTEE

Ninth session: 25 to 31 January 1966

Chairman: Mr. Carlos E. Peralta Méndez (Guatemala)

Rapporteur: Mr. Manuel Acosta Bonilla (Honduras)

The ninth session of the Committee took place at Guatemala and was attended by the Ministers of Economic Affairs of the five Central American countries, who are its titular members. The discussions, during which the Committee also reviewed the results of the work entrusted to its Sub-committees and working groups,<sup>1/</sup> marked the culmination of the long evaluation of the Central American integration programme which was carried out by the ECLA secretariat during 1965.

At its eighth special session, the Central American Economic Council had requested ECLA, in its capacity as secretariat of the Economic Co-operation Committee, to study the prospects for integrated economic growth and the critical problems and factors which had arisen in the Common Market in recent years, and lay down guiding principles for the future activities and decisions of the national authorities and integration organs with a view to strengthening the Common Market and bringing it into full operation. In response to this request, the secretariat prepared the document entitled Evaluación de la integración económica en Centroamérica (E/CN.12/CCE/327/Rev.1).

The process of evaluation was carried on at different levels in order to bring the content of the programme as closely as possible into line with the conditions and problems currently facing Central American integration. Apart from the preparation of the technical studies, which represented the first stage, a meeting was held with the integration institutions between 15 and 17 October 1965, followed by others with the national commissions organized for that purpose in each member country. In this way not only were direct contacts established and information

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<sup>1/</sup> Meetings of these organizations held after May 1965 are described later in this report. Earlier ones are referred to in previous documents (E/3587/Rev.2 and E/4032/Rev.1).

exchanged with the regional and national organizations that administer and execute the integration programme, but detailed discussions also took place on the different problems and priorities involved. At the next stage, the members of the Executive Council of the General Treaty met with staff of the planning agencies and national development institutions, for the purpose of examining questions relating to the operation of the Common Market, that is, trade, industrial and agricultural policies and regional programmes by sectors, and bringing the respective agreements to the attention of the Ministers of Economic Affairs.<sup>2/</sup>

The ninth session of the Economic Co-operation Committee took place when the fifth and final year of the transitional period before the full operation of the Common Market was well advanced. Since the Market first established, most of its members have made considerable economic progress, thanks to the marked recovery of the external sector, the increased incentives given by general free trade, and the impact of a uniform tariff on imports.

Nevertheless, in 1965, the export sector began to weaken again. The Committee was particularly concerned about this, not only because of the resulting effects on the levels of activity of traditional sectors but because, in the immediate future, integration will have to develop in a different economic framework whose adverse conditions can only be remedied by more intensive joint action. This makes it all the more necessary for the programme to concentrate to an ever increasing extent on changing the production systems in terms of the opportunities afforded by multilateral co-operation.

The Committee had pointed to these eventualities at its eighth session, but after examining the new body of trends, it found that very little progress had as yet been made in that direction and that the dynamism of the Common Market is essentially a product of the forces that have surged up spontaneously with its establishment. However, some of the

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<sup>2/</sup> The report of this meeting is annexed to the report of the ninth session of the Central American Economic Co-operation Committee (E/CN.12/AC.58/3, E/CN.12/CCE/351/Rev.1), for submission to the eleventh session of the Committee of the Whole.

elements needed for changing the production systems can be found in the progress made with respect to industrial programming and to feasibility and financing studies for public works on a regional basis.

The concepts and guiding principles of economic integration policy have been crystallizing in the course of the evaluation process, and were given full expression at the joint consultative meeting mentioned above. The Committee endorsed these concepts, and translated them into measures and recommendations for practical action.

The ninth session was characterized by the zealous efforts of the Ministers of Economic Affairs to improve a number of aspects relating to the operation and functioning of the programme in sectors other than those which had previously claimed their attention. In view of the extraordinary expansion that has taken place in the needs and scope of the integration movement, and the lack of suitable mechanisms for dealing with them, the resolutions adopted by the Committee on this occasion provide for the establishment of a number of Councils, Commissions and technical working groups within the framework of the General Treaty and its main organs; indicate the desirability of concluding new agreements and protocols, and formulate specific directives for the Central American organizations, with particular respect to financing, co-ordination and the need for more efficiency. Whether these objectives are to be achieved will now depend on the vigour with which the measures in question are adopted, the funds needed to execute them and the way in which these are obtained and provided.

Special steps were taken to assist Honduras to develop on a balanced footing with the other countries within the integration movement. Apart from expressly recognizing a principle of the first importance for the Central American movement, these measures make for the speedy and full implementation of the multilateral agreements awaiting ratification and deposit, and thereby open the way to new and more promising advances within the Common Market.

While the period from 1958 to 1962 was one in which the basic instruments of integration were rapidly established, the present stage is marked by the consolidation and utilization of opportunities as part of

/the complex

the complex task of framing and executing a regional economic policy for the development of the Common Market in the main areas of activity.

It is important to note that regional trade in 1965 amounted to approximately 140 million dollars, that is, over four times as much as the figure of 30 million dollars recorded in 1960. Investment resulting from the Common Market already exceeds 100 million Central American pesos.

As regards trade relations with other countries, representatives of the Government of Mexico and of the Central American integration organizations met for the first time at Mexico City in December 1965. The ECLA secretariat also attended the meeting in an advisory capacity. The discussions focussed on ways and means of encouraging Central American exports to Mexico with a view to balancing their trade. Moreover, negotiations are progressing between Central American and Panama concerning the possibility of concluding an agreement of economic association between Panama and the Common Market. The Committee secretariat has started studies on the adoption of a common trade policy vis-a-vis third countries or economic groupings, and the establishment of a joint negotiating unit.

The first Protocol to the Agreement on the Régime for Central American Integration Industries entered into force in February 1965 for Guatemala, El Salvador and Costa Rica, and in August for Nicaragua. The first two integration activities to be declared as such, are the tyre and inner tube factory established in Guatemala, and the caustic soda and chlorinated insecticides plant being built in Nicaragua. In this way, the special system for promoting productive activities is also being put into practice. In November 1965 the five Governments signed a second Protocol, extending the benefits of the Integration Industries Régime to a sheet glass factory for Honduras.

The ECLA secretariat has continued to prepare studies on industrial prospects within the Common Market. A technical assistance expert has completed a study on Posibilidades de desarrollo industrial integrado en Centroamérica (E/CN.12/CCE/323; TAO/LAT/50) which was submitted to the first meeting of Central American and foreign investors, held at Managua in 1965. Progress is also being made with the programme for textile specialization.

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At their second meeting held in Guatemala in 1965, the directors of planning agencies reviewed a preliminary study on regional industrial programming for 1965-74, prepared by the Joint Central American Programming Mission. They also examined the possibility of establishing a mechanism for studying and promoting the pulp and paper, chemicals and basic metal industries and assembly activities. The ECLA secretariat participated in these discussions.

Since the meeting of the Agricultural Development Sub-Committee in 1964, considerable progress has been made in this area. SIECA convened meetings of meat exporters and of livestock and animal nutrition experts. The Joint Programming Mission has prepared regional programmes for developing grain production and laid down guide-lines for diversifying exports, and is at present working on a regional programme for livestock development. The Ministers of Agriculture met for the first time in February 1964 in Guatemala and again, in conjunction with the Ministers of Economic Affairs, in October 1965 at Puerto Limón (Costa Rica). Among other agreements reached at this second meeting, legal recognition was accorded to the Co-ordinating Committee on Marketing and Price Stabilization in Central America based on Committee resolutions 63 (CCE) and 90 (CCE).

In accordance with agreements arrived at in the Sub-Committee, the establishment of a Central American Committee for Agricultural Research was also approved; and co-ordination of research activities was entrusted to the Inter-American Institute of Agricultural Sciences.

In approving the request submitted by the Governments in accordance with Committee resolution 125 (CCE), United Nations Special Fund, launched a project for research into Central American fisheries resources.

The establishment of the Integration Fund in BCIE opens up definite possibilities of carrying out infrastructural works of importance to the whole area. With the approval of various measures on the phases of preparation and execution of these works, it became clear that regional technical teams had to be trained in this field and ways and means devised of adopting the techniques of design and construction used in the developed countries to Central American conditions.

The road plan has not advanced as well as was expected, owing to a dearth of funds and specific projects. During 1964 and 1965, BCIE - with the help of firms of consultants from the region and outside it - undertook a study on the current state of the transport system, formulating recommendations on each branch of this sector.

With respect to energy, a regional research programme was approved for evaluating the region's water resources. The first stage will be to improve the network for collecting hydrological and hydrometeorological information. This project, which will have a total cost of 5.8 million dollars, was approved by the Special Fund in January 1966 and will be started immediately. It should be possible from its findings to determine the volume of water resources available to supply the integrated system that is to be set up in the next ten years. A regional study on electricity rates and standardization of equipment and materials used in electricity works was also approved.

In December 1965 and January 1966, the national electric power companies of Honduras and El Salvador held meetings at Tegucigalpa and San Salvador to review a project prepared by a United Nations technical assistance mission for the joint development of the two countries' electric power systems. This mission has also completed a project for the integrated development of the systems of El Salvador, Honduras and Guatemala, which will be considered by a special working group consisting of officials from the three countries.

At the request of the first meeting of Ministers of Economic Affairs and Finance, held in Guatemala in April 1965, the ECLA secretariat prepared a study on the regional institutionalization of planning (CEPAL/MEX/65/10). This study put forward several possible solutions to the problem and made suggestions for the incorporation into SIECA of the functions and staff of the Joint Programming Mission.

With the help of the Latin American Institute for Economic and Social Planning, IDB and other regional and international agencies, the secretariat organized three intensive training courses in Central America on the techniques of programming and project evaluation. The courses were attended by nearly 200 officials of the five countries and Panama who are concerned with the formulation of national development plans.

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With the help of a United Nations technical assistance expert, an initial study has been completed on La productividad, el costo de la mano de obra y el costo de producción en el Istmo Centroamericano (E/CN.12/CCE/335). This study sets forth guiding principles for the Central American Governments of the incidence of the labour factor on general production costs within the Common Market. An ILO expert has finished a similar study on the purely labour aspects of industrial productivity and costs in Central America.

Central American Housing, Building and  
Planning Sub-Committee

Third session: 6 to 11 December 1965

Chairman: Mr. Roberto Barillas Flores (Guatemala)

Rapporteur: Mr. Andrés Pérez (Nicaragua)

The third session of the Central American Housing, Building and Planning Sub-Committee took place at Guatemala.

Discussions centred around four main points: (a) housing policy, social aspects and institutional organization; (b) financial aspects; (c) problems of urban development; and, (d) technical and costs aspects. At the present stage of economic integration, it was felt that a new approach was needed to all of them, with more continuous action, in depth, at the regional level. Such action should not be undertaken on an autonomous or individual basis, since housing problems are closely linked with those being dealt with by other organizations; hence it was felt that specialised institutions could achieve little or nothing without co-operation of different kinds from other institutions. Four working groups, covering points (a) to (d), were set up as a result of the deliberations. It is hoped that the other integration institutions, as well as the Minister of Economic Affairs and the planning offices of the different countries, will participate actively in these working groups, together with financing and development institutions.

The Sub-Committee was deeply concerned by the deterioration of the housing situation in the area and submitted a resolution to that effect to

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the next meeting of the Central American Economic Co-operation Committee, in which it expressed the conviction that measures for remedying the situation had to be broadened and strengthened.

Other meetings and seminars connected with the work of the  
Central American Economic Co-operation Committee 3/

Working Group on Assembly Industries (Mexico, 17 to 26 May 1965)

This working group, which met at ECLA's Mexico Office, spent much of its time inspecting Mexican assembly plants for motor vehicles, lorries, tractors, domestic appliances, office equipment and so forth, and reviewing the steps taken by Mexico to increase the proportion of parts manufactured within the country and used in the final product.

First meeting of Central American Ministers of Economic Affairs and Finance (Antigua, Guatemala, 22 to 26 May).

Measures for accelerating the integration of the Central American countries were considered at this meeting, together with others to ensure the regional co-ordination of national development plans, at the over-all and sectoral levels.

Central American Economic Council - special session (Guatemala, 19 to 21 June 1965)

This session was convened to review the proposals for establishing a Latin American Common Market (E/CN.12/728). SIECA was requested to prepare a joint draft reply to the alternatives put forward in the ECLA document for consideration at the next session of the Council.

Ad hoc Committee of Nine for Central America (Mexico, 16 to 20 August 1965)

After visiting the Central American countries, the members of this Committee met in Mexico with the staff of ECLA, SIECA and the Joint Programming Mission in order to review the results of their visits and their analysis of the national plans prepared with the head of the Mission.

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3/ ECLA was represented at all the meetings mentioned and, in many cases, played an active part in their organization.

Advisory Committee on Planning for Central America (Mexico, 23 August 1965)

The purpose of this meeting was to consider plans for incorporating the Joint Mission into SIECA, in response to a request made at the first meeting of Ministers of Economic Affairs and Finance, at which ways and means were studied for providing Central American planning activities with a regional institutional framework. The Committee recommended that the Joint Mission should be assimilated by SIECA, which should be reorganized for that purpose, and that work programmes on planning should be drawn up for the rest of 1965 and for the years 1966 and 1967. The Director of ECLA's Mexico Office is also the Chairman of this Committee.

Joint Mexican-Central American Commission (Mexico, 6 to 11 December 1965)

This meeting was held in accordance with a request made in a joint communiqué issued by the Ministers of Economic Affairs of Central America and the Secretary of Industry and Trade of Mexico (San Salvador, 6 November 1965). It was attended by representatives of the Government of Mexico and the directors of the Central American economic integration bodies, and the ECLA Mexico Office acted as the secretariat.

/B. OTHER

## B. OTHER ACTIVITIES

This section of the report deals with the activities of the secretariat that were not directly related to the work of the Commission's subsidiary bodies. Meetings and seminars organized or co-sponsored by the Commission are included here, followed by the separate divisional reports.

MEETINGS AND SEMINARS <sup>4/</sup>Seminar on Planning at the State Level (Petropolis, Brazil, 19 to 31 July 1965)

This Seminar was organized by the Joint ECLA/BNDE Economic Development Centre. In the course of its work of organizing training courses, the Centre has been in constant touch with the planning teams and technical advisers of a number of States in Brazil, where planning activities at that level have developed spontaneously in a broad variety of ways. The National Economic Development Bank (BNDE) encouraged the Centre to bring together a number of experts from the agencies responsible for preparing and executing development plans at the State level, with a view to perfecting their techniques and facilitating the development of instruments to solve some of the problems faced by the States. The agenda of the Seminar therefore covered four main points: (a) characteristics of the planning systems in the States; (b) public financing problems in relation to planning at the State level; (c) mechanisms for assisting the private sector; (d) evaluation of experience in regional planning.

It is hoped that the findings of the Seminar will facilitate a nationwide evaluation of the problems confronting the authorities responsible for sectoral and regional plans, and of the resources required to meet regional development priorities. Consequently, activities since the Seminar have been focused on the preparation of an analytical study of the material presented there rather than of an immediate report. The ensuing study, entitled State Planning in Brazil was completed towards the end of 1965.

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<sup>4/</sup> In addition, the secretariat participated in several meetings organized by other agencies. These are mentioned in the paragraphs relating to the different substantive divisions.

Conference on the Application of Science and Technology to Development in Latin America (Santiago, Chile, 13 to 22 September 1965)

This Conference was organized by UNESCO with the co-operation of ECLA, and the assistance of the Government of Chile, which placed the facilities of the State Technical University at the disposal of the Conference. Participants came from Argentina, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Uruguay and Venezuela. The United States was represented, while Canada, Israel and the Holy See sent observers. Four commissions were set up, to study questions relating to: (I) natural resources and their utilization; (II) human resources and training of scientific and technical personnel; (III) application of science and technology to the industrial development of Latin America; (IV) scientific and technological policies, and the instruments for applying them.<sup>5/</sup>

The main responsibility for the documentation for Commissions I, II and IV lay with UNESCO, while for Commission III with ECLA. The ECLA secretariat also contributed several papers on natural resources, and provided many of the key personnel for servicing the Conference.

Working Group on National Accounts (ECLA Headquarters, Santiago, Chile, 8 to 17 November 1965)

This Working Group was organized jointly by ECLA and the United Nations Statistical Office, with the financial support and collaboration of the Bureau of Technical Assistance Operations. Participants attended from Argentina, Barbados, Brazil, Chile, Colombia, Ecuador, Guatemala, Jamaica, Mexico, Panama, Peru, Trinidad and Tobago and Uruguay. Two observers were sent by the Inter-American Statistical Institute (IASI). The Latin American Institute for Economic and Social Planning participated in the discussions, the technical secretariat being provided by the United Nations Statistical Office, ECLA's Statistical Division, Economic Development and Research Division and its Mexico Office, together with a consultant from the region who had been specially appointed for this meeting.

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<sup>5/</sup> Since UNESCO is responsible for preparing the report of the Conference, no effort has been made here to summarize the main conclusions.

One objective of the meeting was to consider the proposed expansion and revision of the National Accounts System developed by the United Nations Statistical Office, and its adaptation to conditions in developing countries. For this purpose the participants had before them the report of a meeting of experts held at New York in December 1964 and a document prepared by the Statistical Office indicating specific proposals for adapting the bases prepared by that meeting to Latin American conditions. At the same time, the ECLA secretariat submitted a document in which additional ideas were put forward, based on the experience gained in the region in the course of the past seventeen years.

On the whole, the participants' views reflected the greater requirements imposed on national accounts by the advances in the region with respect to economic and social analysis. In particular, there was emphasis on those aspects of the new proposals which are most closely linked to planning needs. The Group considered, for instance, that further studies should be made as soon as possible in relation to national accounting at constant prices and that during 1966 a working group should meet to review such studies and the related question of comparisons of estimates between countries. Similarly, it was thought highly desirable that further working groups should meet at the regional level to study, in greater depth, specific conceptual and methodological problems.

Moreover, it was noted that the new proposals represented an important advance, and special suggestions were put forward in relation to the scope of future efforts. At the same time, the Working Group expressed the view that the United Nations Statistical Office and ECLA should not fail to impress upon national governments that, in requesting technical assistance, they should at the same time promote primary statistical research on essential economic, demographic and social aspects.

Latin American Conference on Children and Youth in National Development  
(ECLA Headquarters, Santiago, Chile, 28 November to 11 December 1965)

This Conference was sponsored jointly by UNICEF, ECLA and the Latin American Institute for Economic and Social Planning, with the co-operation of several specialized agencies, including the ILO, FAO, UNESCO and WHO. It brought together, from all ECLA member states except France and Haiti,

/some sixty-nine

some sixty-nine officials of national planning agencies, economists, sociologists, demographers, educators, public health authorities, nutritionists, social service specialists, and leaders of institutions concerned with the protection of children and with youth activities, in order to obtain a panoramic view of the problems and needs of the younger age-groups in the region; the policies, services and institutional resources now dealing with those needs; requisites for the better functioning of the institutions and services; and criteria for a more adequate consideration of the needs of children and youth in national development policy and planning. In its discussions, the Conference drew upon reports presented by the majority of the countries in the region; more extensive special studies presented by five countries (Argentina, Jamaica, Mexico, Peru and Venezuela); and working documents submitted by the specialized agencies and by consultants on such topics as youth and labour, legislation relating to minors, the pre-school child, educational needs of present societies, the family in relation to the needs of children and youth, population growth and the early stages of population policy, youth as a field for social research, the place of children and youth in social service programmes, economic development policy and planning in relation to children and youth, and problems of sectoral programming in public health, education and nutrition. In addition, several studies by ECLA and the Institute, including the findings of a survey of the situation of youth in a low-income urban settlement, were submitted as background documents. The Conference's discussions of the very wide range of topics indicated above and its conclusions are summed up in the Rapporteur's Report (ST/ECLA/Conf.20/L.20/Rev.1).

Latin American Symposium on Industrial Development (ECLA Headquarters, Santiago, Chile, 14 to 25 March 1966)

Eighty-six representatives of twenty-one member States of ECLA attended this Symposium, as well as observers from two others. Another eighteen observers were accredited by nine non-member countries. Several United Nations agencies were represented, including the ILO, FAO, UNESCO, WHO, IBRD and IMF, together such bodies as UNDP, the Latin American Institute for Economic and Social Planning, the United Nations Centre for Industrial  
/Development and

Development and IAEA. The meeting was serviced by ECLA staff, headed by the Director of the Joint ECLA/Institute/IDB Programme on the Integration of Industrial Development.<sup>6/</sup>

The agenda for the meeting comprised five main items: an evaluation of industrialization in Latin America and the future outlook; present situation, problems and prospects of the main industrial sectors; problems relating to financing, exports and small industry; problems relating to the transfer of technical know-how, applied technological research and technical assistance and the International Symposium on Industrial Development. For the second item, two working groups were set up; the first to deal with the basic metals and the metal-transforming industries, while the second to be responsible for the discussions on the chemical and textile industries. The pulp and paper industry was reviewed at a special consultative meeting held simultaneously with the Symposium from 17 to 22 March, the report of which is appended to that of the Symposium.<sup>7/</sup>

A detailed annotated agenda provided a guide for the discussions (see ST/ECLA/Conf.23/L.1) by including in summarized form the conclusions of the numerous technical studies presented at the meeting.<sup>8/</sup>

The main aim of the discussions at the Symposium was to review the situation of industry in Latin America. Consideration was also given to the possibility of working out a unified position for the Latin American countries to adopt in the deliberations at the International Symposium on Industrial Development, which is being organized by the United Nations Centre for Industrial Development for 1967. A special working group was set up to explore various alternatives, and its findings were used by the Latin American Symposium as a basis for a number of conclusions. In the first place, it was considered desirable that delegations of countries

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<sup>6/</sup> For a full account of the Symposium see ST/ECLA/Conf.23/L.66.

<sup>7/</sup> See ST/ECLA/Conf.23/L.66.

<sup>8/</sup> The section of this report dealing with the Joint ECLA/Institute/IDB Programme on the Integration of Industrial Development also provides a brief summary of the conclusions of the studies undertaken in preparation for the Symposium.

attending the International Symposium should be given full powers of discussions so that they might express their opinion on specific commitments. In the view of the Latin American representatives, the central aim of the International Symposium should be to define the international co-operation policy needed to speed up industrialization in the developing countries. The agenda should consist of a first part for analysing the problems and difficulties affecting industrial development, followed by a second part for sectoral diagnoses, all of which would be linked up with the third part on the question of international co-operation which would thus be discussed on the basis of the debates on the first two parts.

The Symposium also proposed that the ECLA secretariat should hold informal consultations with the member Governments of the Commission, including those which had not been represented at the Symposium, in order to study the bases for a common Latin American stand at the International Symposium. These should, in turn, be defined in a document to be submitted for the consideration of the Commission at its twelfth session early in 1967.

It was further suggested that documents for the International Symposium should avoid insofar as possible the pursuit of new lines of research in fields for which adequate information had already been prepared for this and the other regional Symposia.

#### ECONOMIC DEVELOPMENT AND RESEARCH DIVISION

The work of this Division during the past year has been concentrated on the following activities: the revision for printing of the 1964 Economic Survey of Latin America, and the preparation of the 1965 Survey; research on income distribution as a basis for a major study of the subject; studies of economic policy in different countries; and the preparation of material for a study on education and manpower training within the context of Latin America's economic and social development.

The Division participated in two seminars on planning problems. The first, on the organization and administration of planning, was convened in July by the Latin American Institute for Economic and Social Planning.

/The second,



The second, on planning at the State level, was organized at Petropolis, Brazil, at the end of July by the Joint ECLA/BNDE Centre for Economic Development in Rio de Janeiro. The Division also played an active part in the preparations for the Working Group on National Accounts sponsored by ECLA, the United Nations Statistical Office and BTAO, and held at ECLA headquarters in November.

In addition, material was co-ordinated and prepared for the two issues of the Economic Bulletin for Latin America, published in November 1965 and March 1966, as indicated in the general remarks at the beginning of this report.

#### Economic Survey of Latin America

Last year a summarized version of the main findings of the 1964 Economic Survey for Latin America was published for the first time, and a similar summary is being prepared for the 1965 Survey, some of the early conclusions of which have been included at the beginning of this report.

In order to improve the compilation of data in the countries themselves, a new system of country correspondents was introduced in 1965. Thanks to this system, it has proved possible to obtain data on the main trends of the different economies during the year at a much earlier stage.

The final version of the 1965 Survey, which is currently well under way, will include an examination of the main changes that have taken place recently in Latin America's economy, together with the recent economic situation in selected countries. Trends in the main sectors of economic activity, and a special chapter on the situation of the external sector, will be followed by an account of the progress made in the movement towards Latin American integration, including both ALALC and the Central American economic integration programme. The Survey will also review economic policy and the role of the public sector in the last year or so.

/ Human resources

### Human resources

During the latter part of 1965, a number of meetings took place concerning ECLA's possible contribution to the Conference of Latin American and Caribbean Ministers of Education and Ministers responsible for economic planning. This Conference is being organized by UNESCO and co-sponsored by ECLA, in accordance with the request contained in ECLA resolution 256 (XI).

As a result of the discussions it was agreed that ECLA should prepare a study on The education and training of human resources in relation to Latin America's economic and social development. This study, for which direct research has already been carried out in three countries, will be in three parts: the first will deal with methodological problems of categories of skill and the relations between general education, technical training and economic and social development, while the second will indicate present availability, supply and demand in respect of skilled personnel, and the third will review the prospects for Latin American development and the resulting demands in terms of education and manpower training. Basically, the study is intended to indicate the type of education and extra-mural training needed to meet the manpower requirements of developing economies. It is planned to define the levels of skill demanded for a number of different tasks and then to link them with the educational requirements for each level, ranging from the unskilled labourer through semi-skilled and skilled workers, practical technicians, higher technicians and university graduates. On the light of these requirements, criteria will be formulated for classifying skilled manpower at different levels as a basis for analysing and planning manpower training. The study will also try to determine the economic significance of manpower shortages at different levels of skill, and the possibilities of planning education and training to meet manpower needs over the short, medium and long term. Furthermore, a detailed analysis will be made of the current skilled manpower situation in the region.

### Public sector

### Public sector studies

Early in the year, the preparatory work began a specific project on the public sector. In the course of ECLA's work, it has become increasingly evident that there is a need to measure and obtain a broader knowledge of the economic and social activities of the public sector. In order to do so, detailed and systematic information must be available on accounts by levels of government (including those of State enterprises) together with a final consolidated account to facilitate inter-country comparisons.

With this aim in view, the Division took as a basis a detailed system of accounts which will meet all the requirements mentioned above. This was then despatched to the countries of the region in the form of a questionnaire, with an indication of the need to continue systematically adding to the information requested. Technical assistance was offered for that purpose, if needed. Unfortunately no information has yet been received.

A brief paper is being prepared on some aspects of general government activities. All available information has been collected for this purpose and is being processed to be used in making inter-country comparisons. Indirectly, this will help in ascertaining the limitations of this information and the need for countries to have a consolidated accounting system for the public sector.

For the specific study which it is hoped to prepare on this subject, endeavours will be made to obtain direct information from the countries themselves and to convince governments of the value of this approach so that they will assign the necessary resources for preparing such accounts.

### Studies on economic policy

Work continued during the year on economic policy studies in selected countries. The 1964 Economic Survey of Latin America included two such studies, on Brazil and Chile, and during 1965 a start was made on a survey of the economic policy of Bolivia for completion in 1966. The aim of this study is to provide an over-all view of the objectives and instruments that have characterized that country's economic policy from 1952 to 1964.

/The first

The first part of the study, which has already been finished, analyses the features of Bolivia's development and the Government's guiding principles during the stage of "outward directed growth"; and continues by laying stress on the factors immediately underlying the general crisis culminating in 1952 with the adoption of an economic policy intended to metamorphose Bolivia's economic situation. The second part of the study examines the main targets selected, and makes a general evaluation of the results.

The 1965 Economic Survey of Latin America will include an analysis of the major problems that faced the economic policies of the Latin American countries in 1965, the salient instruments used to overcome them and the main results obtained.

On the basis of the different studies described above, an article has been prepared for the Economic Bulletin for Latin America, Vol. XI, No. 1, for the purpose of examining some of the main characteristics of the evolution of economic policy in the region. The secondary object of the article is to establish a methodological guide for studies of this kind.

#### Studies on income distribution

Direct surveys have been undertaken in a number of countries in order to collect data for studies on income distribution that have formed part of the work programme for some years. The study carried out in Argentina with the co-operation of the National Development Council (CONADE) has been issued by the Council as part of a regular publication series, and will be maintained as such so that a continuing analysis can be made as further data become available.

Other countries have indicated their interest in having the same sort of study carried out there. The purpose of this line of research is to evaluate and interpret the patterns of distribution in the region as a whole and in groupings of countries with similar characteristics, and thus fit Latin America into the world picture as regards its levels of income and well-being (measured by the way in which income is distributed). Studies of this kind are also useful in that they make a systematic compilation of all the piecemeal data on income distribution scattered throughout Latin America, and should act as an incentive to the countries

/to prepare

to prepare and improve the necessary material. Lastly, an analysis will be made of the method and scope of the redistribution process in the different countries.

It is planned to cover thirteen Latin American countries, in all cases for the years subsequent to 1960. In six countries the information available relates to the nation as a whole, but in six others it is fragmentary and covers a few towns only. In nearly every instance, however, a certain amount of information has been assembled on income distribution in rural areas with the result that, despite the lack of complete national coverage, it has proved possible to make some sort of evaluation of income levels and patterns of urban and rural distribution.

Five countries (Argentina, Chile, El Salvador, Mexico and Venezuela) have data covering more than a year. In only one case is there information available for more than ten years. However, the aim is not to study the variations in income distribution over the long term but the degree of normality of the figures during a particular year in the light of the short-term changes in the economic situation of the countries surveyed and the economic policy measures put into effect.

The distribution revealed by the figures for each country will largely depend on the definitions and methods used to process the basic statistics. These vary so widely and their coverage is so irregular that the greatest caution will have to be observed in comparing the situation of the different countries.

Once the basic research has been completed for Part I, an analysis will be made of the scope and implications of a broad policy of income redistribution, starting from various hypotheses on the significance of such a policy, the changes that it would entail in the economic structure its effects on other fundamental aspects of Latin American development and the need for it to be dovetailed with over-all development strategy.

Part II will contain a comprehensive study of income distribution in Argentina.

Co-operation with the Latin American Institute for  
Economic and Social Planning

Together with the ILO, the Division has been working with the Institute on the preparations for the first course on economic development planning to be given to Latin American labour leaders. This course, to be held from 4 April to 12 May 1966 has been organized in response to the requests made in a number of ECLA resolutions [in particular, 146 (AC.40) and 209 (IX)] to bring organized labour into closer contact with the Commission's work. Particular attention has been paid to the preparation of special materials for the course, which comprise an analysis of past and present trends and future prospects for Latin America's economic and social development; ways in which this process of development affects the workers; planning as an instrument for accelerating and redirecting Latin American development; criteria for assessing the implications of development plans and policies for the wage-earning sectors; and ways in which organized labour can participate in planning. In order to ensure efficient handling of these subjects, some conceptual or methodological aspects will also have to be studied, together with specific analytical tools.

Fellowship for twenty-five participants are provided by the International Labour Office through its workers' education programme. The fellows were selected from among 140 candidates, whose names are put forward by national labour organizations in all the Latin American countries.

The Division also took part in discussions on the subjects to be covered at the course on housing programming which is being arranged jointly by the Institute, BTAO and ECLA.

In July, several of the Division's staff participated actively in the Seminar on the Organization and Administration of Planning, which was organized by the Institute.

/LATIN AMERICAN

## LATIN AMERICAN ECONOMIC PROJECTIONS CENTRE

This Centre was reorganized at the beginning of 1965 as a functional unit within the ECLA secretariat. The team is still a small one, with three professionals staff members and a research assistant, but it is now hoped to make greater progress with projections than in the past, since the new organization of the Centre has made it possible to undertake work on a permanent basis with great concentration of effort. There were four fundamental reasons for strengthening the secretariat's work on economic projections, namely, (a) the need for a systematic methodology to provide a clearer understanding of the principles or assumptions on which ECLA's projections have been based, together with their significance; (b) the need to prepare specific economic projections of the development prospects of the Latin American countries with a view to helping countries to formulate their development plans and enter more closely into the analysis and quantification of the factors limiting economic growth; (c) the urgent need to carry out adequate studies on the domestic and external resources required for achieving specific growth targets in relation to the objectives of foreign trade policy (potential trade deficit) and regional integration, as well as the systems of external financial co-operation; and (d) the need to devise suitable means of co-ordinating ECLA's work on projections with that of the United Nations Centre for Development Planning, Projections and Policies and of the UNCTAD secretariat.

The Centre's main tasks during the period covered by this report can be classified as follows: (a) the preparation of basic economic data, from the year 1950, for each Latin American country; (b) the comparative study of proposed models for long-term projections; (c) the analysis and application to Latin American countries of the economic projections model prepared by the United Nations Centre for Development Planning, Projections and Policies; (d) the preparation of preliminary projections of growth targets for 1975 and 1980; (e) the preparation of an outline for analysis and an economic projections model suited to conditions in the Latin American countries and to the purposes of the study;

/(f) the

(f) the co-ordination of work with the Centre in New York and the UNCTAD secretariat and (g) the preparation of mathematical programming models to examine the question of investment distribution in the context of regional integration.

In order to determine the functional and technical economic relationships required for preparing the projections model -- such as the function determining import requirements, the factors affecting the import substitution process, elasticity of demand and capital-product ratios -- it was decided to prepare the necessary studies on the basis of the macro-economic variables for each country over the period beginning in 1950 and ending in 1962 or 1964, depending on the data available. In order to do this, the historical national accounts series must be properly drawn up and production, import and export statistics compiled in accordance with new classification systems and on comparable bases. Furthermore, balances of payments have to be analysed in depth, as regards both current and capital accounts. This work represents an initial and fairly extensive stage in the study of projections, since the statistical data are scarce, often have serious shortcomings and are seldom presented in accordance with the definitions and classifications required for this kind of research. In 1965, considerable progress was made in the analysis and statistical preparation of material for Argentina, Brazil, Colombia, Ecuador and Peru.

Before deciding which model would be most appropriate for the Latin American countries, it was thought best to review the principal models proposed, for practical purposes, by international and national institutions, so as to evaluate these experiments in relation to the work undertaken by the secretariat in the past and to the new approaches to the subject. So far a study has been made of twelve models proposed by different institutions, including the United Nations Centre for Development Planning, Projections and Policies, the Economic Commission for Asia and the Far East (ECAFE), the Institute of Asian Economic Affairs, AID and the Netherlands Planning Institutes. The model prepared by the United Nations Centre was of particular interest because it was used to determine the potential trade deficit of the developing countries and constituted the basic  
/analytical tool



analytical tool employed in the studies submitted to the first United Nations Conference on Trade and Development. The proposals for the Asian countries offer some comparative aspects since the development problems in question have certain features in common with those of Latin America. The studies carried out by AID for some Latin American countries warrant special mention since they constitute the most recent attempts to examine prospects of growth and quantify the limiting factors in the framework of long-term projections. The Netherlands model is also interesting in that it is the product of valuable technical and practical work carried out in that country over a long period of time, and also offers some points of comparison between Latin American experience and that of a developed country. The general conclusions to be drawn from the reports that are being prepared on these subjects as part of the research programme can be summarized briefly as follows:

(a) The models have a high level of aggregation, and are based fundamentally on economic concepts of national accounts;

(b) The models are relatively simple in terms of the number of equations or functions which they contain, the level of aggregation of variables, and the nature of the functional economic and technical relationships adopted as approximations to real conditions;

(c) As a result, the statistical solution of these models does not present any serious difficulties, except for some countries where the statistics are very poor;

(d) It is clear that the different experts have agreed on these aspects of their projection models, because their aim has been to prepare models that are applicable to all countries and because all the developing countries suffer from a shortage of adequate statistical data.

(e) In general, the purpose of the models is to examine, in greater or lesser detail depending on the case in question the changes that should be made in essential aspects of trade policy and in the methods and volume of external financing in order to achieve specific development targets. In this respect, the model of the United Nations Projections Centre quantifies the trade deficit of the developing countries and proposes a number of ways in which to close this gap and attain certain economic development

/targets. The

targets. The AID model adds an analysis of the internal savings deficit and explores the various possibilities of remedying it.

(f) It is interesting to note that all the models use the controversial capital-product ratio to determine investment requirements, which is one of the key variables in analysis; however, the experts do tend to vary with respect to their methods of estimating the ratio and definition of it as a concept.

(g) There is some similarity in the way in which all these models are applied for determining import requirements. This is also true of the export function, which is considered as a datum or projected on the basis of variables exogenous to the model, the income of the importing countries being used mainly as a variable to explain the function.

A more detailed analysis was made of the technical and practical aspects of the United Nations Centre's model, in relation to its application to Latin American countries. The conclusions of this study were presented at the meeting of experts convened by the United Nations Department of Economic and Social Affairs and UNCTAD, and held at United Nations headquarters from 14 to 16 March. The meeting was attended by staff of the United Nations Projections Centre, the UNCTAD secretariat, FAO, The Economic Commission for Africa (ECA), IBRD, AID and other agencies.

With respect to the results of its application to Latin American countries, ECLA's Latin American Economic Projections Centre undertook the task of applying the model proposed by the United Nations Projections Centre to five Latin American countries (Argentina, Brazil, Colombia, Ecuador and Peru) and to the whole of the area defined by these countries. Data for 1950-62 were used to determine the functional and technical relationships between the variables. The basic conclusions that may be drawn from this research up to date are as follows:

(a) The production function, which relates the product with the investment accumulated and domestic savings as a function of the gross domestic product, are satisfactory for all countries.

/(b) A

(b) A satisfactory correlation has been found between exports and the real income of Western Europe importing countries and the United States, in the cases of Argentina, Colombia, Ecuador and Peru. The same correlation has been obtained for exports from Colombia and Peru to Latin America.

(c) The correlation between the net balance of services and imports is satisfactory for Ecuador and explicative, to a certain extent for Brazil and Colombia.

(d) The correlation between net factor income from abroad and exports found in the United Nations Projection Centre's model is satisfactory for Ecuador and Peru and, to a certain extent for Colombia.

(e) The functional relationship between gross fixed investment and imports of capital goods is acceptable in the cases of Argentina, Colombia, Ecuador and Peru.

(f) The functions explaining imports of intermediate goods and fuels in terms of the domestic product are acceptable, especially for Colombia, Ecuador and Peru, and for certain items investigated in the cases of Brazil and Argentina.

In short, from the results of this research compiled in the report, it seems clear that the model proposed by the United Nations Projections Centre provides, a satisfactory explanation for the behaviour of macro-economic variables in the cases of Ecuador and Peru and, to a certain extent, in that of Colombia. It is also an efficient instrument for analysing the behaviour of the sum of economic variables of the five countries taken as a whole. Work will be continued on Argentina and Brazil.

Once the United Nations Projection Centre's model had been prepared on the basis of data for Ecuador and Peru in 1950-62, it was decided to test it out in the formulation of a co-ordinated system of projections up to 1975 and 1980. The aim was not to make actual projections but to continue the technical study of the model and examine some aspects of its practical application to Latin American countries.

/The experiment

The experiment consisted in fixing certain growth targets for the two years in question and determining the gap between domestic savings and total investment and between purchasing power and import requirements. In that way the domestic and external resources needed in order to achieve given growth targets could be estimated and the fundamental objectives established for a consistent economic policy in the realms of domestic and external action.

Two growth targets were fixed for each of the two selected countries. One was an extrapolation of the past rate (Ecuador 4.6 per cent and Peru 4.9 per cent) while the other resulted from the adoption of the 2.5 per cent growth rate stipulated in the Charter of Punta del Este (Ecuador 5.7 per cent and Peru 5.2 per cent). The conclusions drawn were as follows:

(a) The amount of investment required by both countries in 1975 and 1980 will be considerably greater than the domestic savings obtained by applying the function of past trends. In these conditions, there must be, in principle, an improvement of the average savings coefficient in relation to its magnitude in the past if the rate of growth is to be maintained and accelerated.

(b) Both countries show large balance-of-payment surpluses. These stem mainly from the very intensive growth of exports towards 1975 and 1980, as a result of the routine application of the historic export function. If these historic functions are accepted, in principle, the two countries will have no balance-of-payments problems in relation to the assumed growth targets.

These figures are simply the results of a mathematical exercise and so cannot be regarded as even preliminary projections. The only reason for referring to them in this report is that they demonstrate another conclusion which is very important for this field of study, i.e. errors may be made in mechanically applying projections models which extrapolate estimates of past behaviour.

/Clearly, there

Clearly, there is a need to undertake, for exports, studies of supply and demand that will deal with the international market as a whole in order to have a larger fund of information for assessing national export prospects. As for the function of domestic savings, these should also be studied in depth in order to quantify the probable limits of their variations and the changes that may take place in average and marginal rates in the future.

In the light of all these background data, of ECLA's experience and of other studies of projections for Latin America, work is being done on the analytical outline, structure and characteristics of the long-term projections model to be proposed for use by the countries in the region. Some essential aspects of this research, by countries, are: (a) the development of the limiting factors of economic growth in the period 1950-62-64; (b) investment requirements to attain given growth targets; (c) determination of national savings in terms of current behaviour and of the modifications that might be introduced by specific policies; (d) external financing requirements in relation to investment financing; (e) import requirements; (f) the capacity to import; (g) the trade gap; (h) alternative proposals for domestic and external policy to strike a balance between savings and investments and to stabilize the balance of payments; (i) projections by economic sectors and verification of the solutions obtained in the global model.

/SOCIAL AFFAIRS

## SOCIAL AFFAIRS DIVISION

Much of the Division's work during 1965 centred on preparations for the Conference on Children and Youth in National Development, organized by UNICEF with the co-sponsorship of ECLA and the Latin American Institute for Economic and Social Planning. An account of the conference, which took place at ECLA headquarters from 28 November to 11 December, will be found at the beginning of this report.

Several studies were made during the course of the year, for presentation at the above-mentioned conference or other meetings. Discussions have also taken place concerning the Division's participation in the study being prepared by ECLA for the Conference of Latin American and Caribbean Ministers of Education and Ministers responsible for economic planning, to which reference has been made earlier in this report.

Staff of the Division participated in a number of meetings and seminars concerned with their specialities, as detailed above. They also took part in the Seminar on Planning at the State Level organized in July by the Joint ECLA/BNDE Centre for Economic Development.

During August and September, the Director of the Division was assigned, at the request of the Secretary-General, to a special mission set up to evaluate the technical assistance supplied to the Government of Chile by the United Nations. This was preceded by a series of meetings at Headquarters with the other members of the mission for briefing on the range, volume and general characteristics of technical assistance in that country. Meetings were subsequently held in Chile with representatives of the Government and of United Nations offices and specialized agencies located in Santiago, as well as with all Project Managers of Special Fund projects in the country, followed by meetings with officials of the various national organizations, offices and institutions responsible for the principal projects. A report was drafted in September, and at the end of March a special meeting was held at United Nations Headquarters to wind up the mission.

/Social planning

### Social planning

A study entitled Social development and social planning: a survey of conceptual and practical problems in the setting of Latin America was completed and presented at the Conference on Children and Youth in Latin America, as a background paper (E/LACCY/BP/L.4), and is to be published in the Economic Bulletin for Latin America, Vol. XI, No 1.

In this study, an attempt has been made to provide a panoramic view of the present status of the movement to incorporate the social sectors into planning, as it has evolved in the international agencies and is being applied in the existing situation in Latin America, and suggests certain prerequisites for progress in this endeavour. The conclusions reached include the following:

(a) Separate consideration should be given to the use of the term "social" at the levels of development policy, planning and sectoral programming. Although development itself is a single phenomenon, it is essential at the level of development policy to make a distinction between social and economic objectives. In such formulations the social programmes or areas of public social action should be treated as instruments rather than as ends in themselves; ideally, in fact, the process of formulation of social policy objectives should be part of a quest for national agreement concerning the future society toward which such policy is directed.

(b) At the level of planning to attain the objectives set forth in development policy directives, there does not seem to be adequate justification for grouping the so-called "social sectors" under a separate concept of "social planning", although it may be administratively advantageous to group the specialists responsible for these sectors in a "social" division of the agency responsible for national planning. Instead of the concept of the economic and the social as two "fields" competing for resources, the need is for an integrated development strategy in which economic and social measures are both focused upon the requisite structural changes.

(c) At the level of programming, each social sector has distinct problems of administrative efficiency, personnel training and standards, quantification of objectives, research and collection of statistics, relations with its clientèle, etc. However, quantitative increases in the coverage of

/action in

action in each sector, measured through the indicators now available, will not necessarily result in unmixed benefits for the society as a whole or justify priority for allocations to the sector.

(d) The preceding generalizations do not imply that social allocations can or should be determined by economic criteria, in terms of monetary returns on investment. Attempts to apply criteria of economic rationality to expenditures on social programmes cannot be pursued beyond a certain point without coming into open contradiction not only with the ways peoples and nations actually behave but also with their deepest value systems. No country is so poor that it will be prepared to do only the things it can afford according to a utilitarian scheme of priorities, and a systematic attempt by planners to apply such principles, even if practicable, might well involve an impoverishment of culture and initiative that would frustrate healthy development more than the apparent waste of resources.

(e) While policy-making and planning processes more coherent than at present are indispensable, social and economic programmes cannot be expected to respond exclusively to neutral planning techniques or even to completely consistent public policies. Pressures from different directions will still have to be reconciled and rationalized by the policy-maker, but this need not necessarily be considered as a hindrance to dynamic and integrated policy and planning. Demands expressed through political channels and organized pressure groups are essential if plans are to respond to real social needs and if they are to be presented in terms conducive to popular support and participation.

(f) Development planning does not gain in effectiveness through the elaboration of regulations and centralized controls. This is particularly true of social programmes with their need of flexible responses to local situations. A large share of the responsibility for regional and local programming must be placed upon local administration and local organizations in order to relieve the central authorities of tasks they cannot carry out. In Latin America, a good deal of discussion has centred on this requirement, but progress toward institutional forms capable of satisfying it has been very limited. In fact, the need cannot

/be met



be met by institutional changes alone; local social and economic relationships and attitudes must change simultaneously if the institutions are to function.

#### Social aspects of economic development

The Division's interest in social aspects of economic development has been concentrated on urbanization problems and, in particular, the study of marginal settlements, as a visible and dramatic phenomenon of the urban population expansion.

In 1964 a broad programme of research was planned for an eradication settlement. (This is the name given to a type of settlement designed by Chile's Housing Corporation (Corporación de la Vivienda) to provide a solution to the housing problems of lower-income groups, most of whom came from shanty towns.) Although the research project could not be completed for lack of funds, some basic data on the problem were assembled in a paper dealing with the participation of marginal settlements in urban growth (E/LACCY/BP/L.2/Add.3). This paper led in turn to an evaluation of the problem at the national level, and to a study of public services in an eradication settlement (E/LACCY/BP/L.2/Add.2), which outlined the "services" really existing in a specific suburban area and pointed to the more urgent needs. These two earlier studies focused attention on the general problem of youth in these urban settlements. Financial assistance was provided by UNICEF and some technical guidance by the Latin American Institute for Economic and Social Planning for a more specialized study on the 15 to 19 age group. An analysis of the research carried out in two sectors at differing economic levels in the José María Caro settlement led to the preparation of two more papers: the first provides some general conclusions on the situation and prospects of youth in an urban settlement for lower-income groups (E/LACCY/BP/L.2) while the second deals specifically with education problems in the same group (E/LACCY/BP/L.2/Add.1). All these papers were presented at the Conference on Children and Youth in National Development.

/The possibility

The possibility of pinpointing the problem of youth within the specific framework of a suburban settlement, and of then relating it to the country as a whole made for a balanced approach to the practical environment as well as the attitudes and aspirations of the group selected for study. Some of the most interesting results relate to the activities of group; the majority either study or work and many do both, only a very small fraction remaining inactive. Education apparently helps to give these young people a more consistent and less divided view of society, but the lack of educational establishments at the intermediate or higher levels in the area forces them to leave it and subsequently to identify themselves with outside values. The young people in the higher-income sectors aspire to middle-class types of work and try to become white-collar workers or to enter the professions, whereas those in the lower-income sectors mainly aim for specialized technical work. Relationships with parents, although affectionately close, do not appear to lead to identification with them since it is the teachers, rather than the parents who constitute the children's models for behaviour. When the teachers fail them, they tend to turn for their yardsticks to the mass communication media, which play a vital part in forming their attitudes. While claiming to be interested in participating in the social struggle, they do not in fact seem to join political parties, trade unions or neighbourhood associations. The activities of the boys are directed more towards sports centres while the interests of the girls lie more in cultural or religious centres and, above all, in their own families.

Briefly, then, the young people studied in this settlement are either studying and/or working, conscious of their own situation, critical of the world around them, but bewildered and uncertain as to how best to seize and turn to account the means available to them for improving their situation.

#### Demographic studies

Work on demographic problems is carried out in close collaboration with the Latin American Demographic Centre (CELADE). This has involved teaching in different courses during 1965, and participation in several

/studies, in

studies, in particular one on the Demographic aspects of children and youth in Latin America which was submitted to the Conference on Children and Youth in National Development (ST/ECLA/Conf.20/L.7). The studies undertaken show that the regional population continues to grow at a rate of 2.8 to 2.9 per cent annually, and, in a few countries, of as much as 3.5 to 4 per cent. At the former rate, the regional population will double in twenty-four years. This increase, unmatched by that of any other major region of the world, is due to a combination of high fertility (40 to 42 live births per mil inhabitants) and moderate mortality (13 to 14 deaths per mil). The latest calculations of ECLA and CELADE suggest that the rates of increase will remain nearly constant during the next ten to fifteen years, and that the fractional decreases in fertility will be offset by a further decline in mortality. Although birth rates are higher in rural than in urban areas, they remain at a very high level in the latter, thus indicating that accelerated urbanization will not have a great effect on over-all rates of increase in the near future, and that rural patterns of reproduction are likely to persist in the present generation of migrants to the towns.

The continuation of this pattern of population growth involves the continuation of the present age distribution, with its very high dependency ratios. In most countries of the region more than 40 per cent of the population is below the age of 15, and in at least four the equivalent proportion is over 45 per cent. Although these trends have been known in broad outline for more than a decade, the controversies over their implications and the gradual progress in the compilation and analysis of the corresponding data had no direct impact on public policy until very recently. The year 1965 saw a remarkable upsurge in public interest in population problems, the first statements were made by political leaders in which present rates of growth were singled out as obstacles to development, and public programmes were launched to influence fertility rates.

The world-wide preoccupation with population problems, already more clearly defined in other low-income regions than in Latin America, played its part in the regional shift in attitudes. Chile was the first Latin

/American country

American country to initiate through its National Health Service a policy of offering aid to families wishing to limit their fertility. On doing so, it was not motivated directly by general considerations on the relation of population growth to development, but by the growing concern felt in public health circles over the main expedient - illegal abortion - resorted to by low-income urban families unable otherwise to limit the number of their children. Other countries of the region are also beginning to pay attention to the threat that large-scale abortion constitutes to health. Several population study centres have been created on the initiative of Ministries of Health and it is likely that health considerations will impel other countries to take steps on the lines of the Chilean programme before reaching a national decision on the desirability of reducing the rates of population increase. One of the documents presented at the Conference on Children and Youth in National Development was of particular interest in this connexion, namely, Population growth and the first stages of population policy in Latin America (ST/ECLA/Conf.20/L.10) by Dr. Hernán Romero, Professor of Preventive and Social Medicine of the University of Chile.

The Conference was also informed of the preliminary findings of sample fertility surveys carried out among women by CELADE in seven major cities of Latin America. They indicate that urban women in general would prefer to have fewer children than they actually have, and that they resort to contraceptive methods, (usually ineffective) with which they are familiar to a much larger extent than was previously believed. Indeed, the findings of these surveys indicate that the peoples of Latin America are ahead of their leaders in their receptive attitude to population control.

These fertility studies represent one aspect of the continuing programme of demographic research in which CELADE, with the co-operation of ECLA, has taken the lead, and which is evoking an increasingly strong response in national institutions.

ECLA's direct contribution to demographic work included the provision information and statistical material to CELADE on life-tables and theoretical population; a course in May at the Economic and Demographic Study Centre of the College of Mexico, on the evaluation of demographic data and population

/projections; participation

projections; participation in a Seminar on Demography organized by the Population Study Centre at San Juan, Puerto Rico; and participation in the World Population Conference (Belgrade, September). Missions were also undertaken in response to requests from the Governments of Chile, Cuba and Venezuela.

More recently, work has concentrated on the compilation of data for the study on the education and training of human resources in relation to the economic and social development of Latin America, which is being prepared for the forthcoming conference on education.

#### Community development

During the period under review, several missions were undertaken on community development problems by staff of the Division and by the regional adviser on community development, who joined the secretariat in September. These missions were carried out at the request of the Governments of Brazil, Colombia, Ecuador, Paraguay and Venezuela.

In Colombia, the regional adviser reviewed Government programming of technical assistance with respect to community development, particularly for "Acción Comunal". The mission to Ecuador focused on the Government's future technical assistance requirements in relation to community development and reviewed the status of new projects, whereas, in Brazil, the main purpose of the mission was to advise SUDENE on the concepts, policy and techniques of community action, with a view to SUDENE's establishment of a Division of Community Action in its Human Resources Department. In Paraguay, the regional adviser collaborated in a training programme organized by the Department of Basic Education for Community Development; he also reviewed the progress made in the preparation of a community development programme as part of the National Development Plan. In Venezuela, a review was made with officials of the Central Co-ordination and Planning Office (CORDIPLAN) of a land settlement programme arising out of the agrarian reform, with particular emphasis on community development planning and methods.

Another important mission undertaken in 1965 by the Bureau of Social Affairs and ECLA was a study of the work of the Regional Fundamental Education Centre for Latin America (CREFAL) in Mexico with a view to

/recommending United

recommending United Nations support for the Centre. On his return from this assignment, ECLA's community development adviser visited Peru for an administrative review of the work of the Andean Indian Programme in relation to the Programa de Cooperación Popular and the Consejo Nacional de Desarrollo Comunal.

Early in the year, a short course was given by staff of the Division at the School of Social Services, University of Chile, on "Community development and economic and social development".

The experience gained in the different missions and field work is being used as a basis for a working paper prepared for discussion purposes at a round table on community development programming in April 1966 organized by the Inter-American Development Bank.

#### Social services

The main activity during the year was the preparation of a paper entitled Social service in Latin America: Functions and relationships to development (E/CN.12/L.9).

In this paper, an attempt has been made to define the place of social service in national development and its potential contribution to that effort. It does this first by bringing together all the common elements of the Latin American conceptions of social service and analysing the objectives and operation of the programmes, and, secondly, by clarifying the relationships, if any, between the goals of social service and national development and enquiring whether the two sets of goals are compatible with one another. The paper consists of four parts; the first discusses the meaning of social service in Latin America; the second explains how it functions at present; the third deals with its planning within the framework of development, while the fourth discusses the future role of social service and its potential contribution to development and indicates what needs to be done so that social service can fulfil its role and maximize its contribution.

In this connexion, the paper points out that the potential contribution of social service to the development of Latin America lies in preparing people for social change, particularly institutional changes, in fitting them for wider participation in national life, in fostering necessary changes in attitudes, in promoting better adjustments in relationships,

/in making

in making the action of other programmes more effective, and in smoothing out the adverse effects of the process of change. The full implementation of such a contribution will depend upon the remodelling of concepts along with reforms in legislation and administrative structure adequately supported by competent personnel and research.

Finally, emphasis is laid on the fact that the traditional approach of social service assumes the existence of economic and social structures that offer real opportunities for self-support and participation to its clientèle once they have been helped to overcome their special problems, whether these are economic, psychological, or social. Where there is mass underemployment, exclusion of the masses from effective participation in the national society, no really effective educational and other basic services, and at least half the national population belongs to the "culture of poverty", the limitations of such an approach are obvious.

The objectives endorsed by the Governments themselves in such documents as the Charter of the Alliance for Progress assume that rapid and far-reaching changes will take place in economic and social structures. Consequently, the policy-makers in social service should consider how to adapt their techniques so as to help the people with whom they deal to take an active part in bringing about changes rather than come to terms with intolerable situations.

This paper was used in connexion with the Vth Pan American Congress of Social Service, the Latin American seminar on the teaching of social welfare and, as a background paper, for the Latin American Conference on Children and Youth in National Development. It is being published in the Economic Bulletin for Latin America, Vol. XI. No. 1), and will be widely drawn upon for advisory missions undertaken by the secretariat to schools of social service in the region.

In connexion with the seminar on the teaching of social welfare, the basic discussion paper entitled Patterns of training for social welfare in Latin America was prepared and contributed by ECLA.

Constant assistance has been given throughout the year to different organizations, institutions and schools of social service in several countries of the region, and to UNICEF projects in Chile dealing with social welfare work and social services for mothers and children.

/Housing

### Housing

During 1965, the Division assigned a staff member to work on housing problems, with a view to providing substantive support for the two regional advisers, one on housing programming and the other on financing of housing, who are attached to the Division. With the additional resources provided for 1966, it is hoped to do more intensive work on housing, both at ECLA Headquarters and at the Mexico Office.

The secretariat participated in an inter-agency meeting of organizations specializing in housing, which was convened by ICAP and held at Washington in June. It was attended by representatives from AID, IDB, PAHO, United Nations (Headquarters and ECLA) and OAS.

Preparations were started early in the year for a course on housing programming, organized by ECLA and the Latin American Institute for Economic and Social Programming and financed by technical assistance. The regional adviser on housing programming was appointed Director of the course, which is to start in May 1966. A prospectus was drawn up and distributed to Governments and, by the end of the year, some forty applications to attend the course had been received from ten governments. In drawing up the curriculum, discussions were held with respect to the coverage of the different subjects and as a result, the Division undertook some research which has resulted in a study entitled The housing problem in the context of Latin American development. This study, which will be part of the substantive material used for the course, has been reviewed in depth since it constitutes a new approach to housing problems. In addition, the regional advisers on housing programming and financing of housing are preparing teaching material based on practical experience acquired in the different countries in their own specialties.

/JOINT ECLA/



JOINT ECLA/INSTITUTE/IDB PROGRAMME FOR THE INTEGRATION OF  
INDUSTRIAL DEVELOPMENT

The Latin American Symposium on Industrial Development, held at ECLA Headquarters in March 1966, constituted a highly important stage in the secretariat's work on industry. A summary of the findings may be found earlier in this report, under the heading "Meetings and Seminars" while the pages which follow provide the main conclusions of the research carried out under different headings for presentation at the Symposium.

The meeting was one of a series organized by the regional commissions with the active collaboration of the United Nations Centre for Industrial Development to pave the way for the International Symposium on Industrial Development to be held in 1967. Consequently, in addition to making a number of key studies, the secretariat assisted Governments in the preparation of country surveys which will contribute to an over-all understanding of the different stages of industrial development reached in the developing countries, and thus help Governments to decide on their future policies.

The highlights of the material presented at the Latin American Symposium have been summed up in an extensive annotated agenda. The discussions were based on two major papers, dealing respectively with the process of industrialization in Latin America and the problems and prospects for the different sectors of industry. These two papers, which had been presented in provisional form at the eleventh session of the Commission, were fully revised in the light of the deliberations on that occasion and presented at the Symposium (ST/ECLA/Conf.23/L.2 - E/CN.12/716/Rev.1 and ST/ECLA/Conf.23/L.3 - E/CN.12/718/Rev.1).

Extensive field work was carried out in order to collect the data for the different studies. ECLA also collaborated with the Centre for Industrial Development in the studies on the world markets for iron ore and steel, both of which have Latin American sections on which progress has been made as a result of ECLA's efforts.

/In August,

In August, representatives of the Joint Programme met with members of IDB at Buenos Aires to review the work on industrial integration. For that purpose a special report was prepared on the work undertaken by the Joint Programme during its first year of activities, which ended in June (ST/ECLA/Conf.23/L.8).

In September, the Joint Programme was represented at the UNESCO Conference on the Application of Science and Technology to the Development of Latin America, and presented five papers on industrial development problems and the transfer of technological know-how to the developing countries. It also provided the secretariat for one of the four Commissions established by that Conference.

Staff of the Joint Programme participated in several inter-regional seminars organized by the Centre for Industrial Development and the technical assistance programme, and presented several papers. The subjects covered at the seminars included the chemical industries (Kiev, USSR, August), textiles (Lodz, Poland, September), and the evaluation of industrial projects (Prague, Czechoslovakia, October).

Discussions took place with the Secretary-General of UNCTAD concerning a study on the promotion of exports of manufactures, and progress was made with a joint ECLA/UNCTAD project for Argentina, Brazil, Chile and Venezuela. The Joint Programme also collaborated with the Institute in the Joint Advisory Mission to the Dominican Republic, and was responsible for preparing a plan for the development of manufacturing industry in that country.

#### Industrial economics

The study on the process of industrialization in Latin America (E/CN.12/716/Rev.1) was revised and brought up to date for sending to the printers at the end of the year. The revised version also constituted one of the two basic working papers for the Latin American Symposium on Industrial Development. It provides an over-all picture of industrialization in Latin America, while the individual country studies prepared for the Symposium by government agencies with the assistance of the secretariat fill in the necessary background details.

/The findings

The findings of these studies are particularly important in view of the opportunity afforded to the developing countries by the International Symposium on Industrial Development to be held in 1967 for presenting the main problems affecting their industrialization, indicating the measures needed to accelerate their development within the framework of regional integration, and specifying the type and volume of technical assistance which they hope to obtain from the industrial countries and international agencies.

The picture presented by the secretariat study demonstrates the urgent need to formulate industrial policies. The industrial development stimulated by the need for import substitution has reached its apogee; it was characterized by protectionist measures which, alongside favourable effects on employment and the balance of payments, have resulted in disproportionately high domestic costs and prices and, in many cases, poor quality goods, inefficient use of industrial capital, under-utilization of capacity, excessive diversification of production in individual enterprises, and inadequate manpower training with relatively low wage and average productivity levels.

The size of the individual country markets has constituted a serious limiting factor, particularly where costs are concerned. This is why the economic integration of Latin America has become an indispensable prerequisite for continuing the import substitution process at the regional level. This process, speeded up by the expansion of intra-regional trade and of exports to countries outside the region, could give Latin American industry the stimulus it needs at its present stage. On so doing, however, it will give rise to new problems such as those concerning the establishment of principles that will guarantee all participating countries access to the benefits of integration; the changes in the internal structure of each country's industry which will have to accompany the acceleration of industrial development, and the co-ordination of national industrial development programmes.

Once the basic objectives have been defined, the measures constituting future industrial policy can be specified, at both the national and regional levels. There will be a need to evaluate and

/revise such

revise such measures as the manipulation of the tax instrument, credit facilities, tariff protection, the modernization of stock markets and increasing the flexibility of their operations, effective promotion of industrial exports, and the establishment of official agencies for industrial promotion, technological research and manpower training.

Following on this basic research, the secretariat started work on small-scale industries, which account for a very large proportion of the over-all manufacturing establishments in Latin America. The results of this research will be presented at a seminar on small-scale industry to be held at Quito in the second half of 1966.

The secretariat is also studying the prospects for exporting Latin American manufactured goods to the rest of the world. This research is being carried out with the co-operation of the UNCTAD secretariat, and tentative analyses have been prepared of the long-term prospects for exports of steel, pulp and paper and textiles. The conclusions of this initial research on the subject will be useful for making a preliminary assessment of the practical possibilities of penetrating foreign markets as a result, over the short run and the long run, of a suitable redirection of the industrial development process, and of the institutional structure needed to encourage local entrepreneurs to develop new export possibilities, and to make a constant exploration of foreign markets.

#### Steel industry

A regional study of the Latin American steel industry was prepared during the year. This study, which was undertaken with the co-operation of IDB, deals with the present and future Latin American market for steel products, the current situation of the industry and, finally, those factors, such as investment, prices, costs, and utilization of capacity, which determine the industry's competitive position. The main objective has been to examine, in a preliminary form, the problem of including the steel industry in a Latin American common market.

A provisional version of the study was circulated for comments and criticism early in the year and special missions were undertaken to obtain the views of industry. For this purpose, advantage was taken of the visit to Latin America of the senior technical adviser on iron and steel from the Centre for Industrial Development.

/Although Latin

Although Latin America's consumption of rolled steel products has doubled in the past ten years, average per capita consumption is still less than half the corresponding world figure. Projections by the secretariat indicate that the present volume of consumption of rolled steel products will be more than double by 1975 and almost three times as much by 1980. The upward trend in recent years has been more marked in the countries possessing a domestic steel industry than in those that have not yet entered this field of production.

Save in exceptional cases, the prices of steel products manufactured in Latin America are very high, and most companies operate under the protection of heavy tariff duties (see ST/ECLA/Conf.23/L.29 - E/CN.12/727, and ST/ECLA/Conf.23/L.3 - E/CN.12/718, chapter I). The main causes of high production costs seem to be the fact that, in the case of mill projects providing for construction by stages, the entire plant has not yet been completed; failure to apply the latest technical innovations; diseconomies of scale in unduly small mills, particularly in the manufacture of flat rolled products; over-diversification of output; and the lack of properly trained personnel.

Production costs and investment in the iron and steel industry can be best kept down by economies of scale and specialization, which in the latter case, may depend upon the discovery of some pattern of integration or complementarity with other countries.

In recent years, Latin America's steel mills have been operating below the capacity for which they were originally designed, this under-utilization averaging as much as 50 per cent in the case of integrated mills. The main reason for this is the marked lack of balance between production capacities at the different phases of the manufacturing process, and, in particular, the deficits at the ore reduction stage and, to a lesser extent, in the steel works. By contrast, there is usually surplus installed capacity in the rolling mills.

It is in the light of this situation that the study explores the prospects for regional integration of steelmaking, and argues that the financing problems that will face the mills when they seek to implement their expansion programmes might be more easily solved on a basis of regional co-operation.

/The data

The data collected for the above study have also been used for research on economies of scale. They relate to plants in the size range from 100,000 to 1,500,000 tons of finished steel per year, but a separate study has been prepared covering sizes from 25,000 to 300,000 tons a year, in response to the interest shown by many Latin American markets in the installation of small steel mills.

#### Non-ferrous metals

Another study undertaken during the year dealt with the prospects for developing the primary aluminium industry in Latin America, and integrating it on a regional basis (ST/ECLA/Conf.23/L.26). It includes an analysis of the national markets for primary aluminium and probable trends, including projections of demand up to 1975, and also assesses the availabilities of raw materials and energy, which have been found to exist in sufficient abundance for several countries in the region to develop the industry on economic bases and achieve price levels similar to those prevailing in the domestic markets of the highly industrialized countries.

Latin America's share in world production of bauxite has been about 50 per cent, and slightly more than 40 per cent of world reserves of bauxite are found in the region - three-quarters of them in two countries: Brazil and Jamaica. Most of the other countries have plentiful deposits of alunite and clay, whose economic exploitation is currently the object of a major technological research effort.

The study concludes that, in the light of over-all Latin American demand projected for 1975, and on the assumption that the development of the industry will be planned with a view to regional integration, several plants of economic capacity could be installed, which would not be affected by any significant diseconomies of scale.

#### Metal-transforming industries

Following upon the study of metal-transforming industries in Venezuela (see the last annual Report (E/4032/Rev.1), which led to the application of a specific development programme by the Venezuelan Development Corporation, a similar study was undertaken for the metal-  
/transforming industries

transforming industries in Uruguay. The conclusions of the study (ST/ECLA/Conf.23/L.4) show that, providing a proper development programme is formulated and applied, Uruguay could produce precision tools and measuring instruments for exporting to the Latin American common market and, in particular, to Argentina and Brazil, which currently import more than 100 million dollars worth of these instruments annually. Similar studies are under way for Colombia and Ecuador.

One general conclusion of these surveys is that, in the small and medium-sized countries, the metal-transforming industry betrays serious structural and technological shortcomings, and has mainly been kept going by the expansion of industrial maintenance and repair services and by the first steps taken to assemble durable consumer goods. The outlook for the metal-transforming industry in those countries is closely dependent upon the establishment of an infrastructure for it and the improvement of its technical standards. It should be equipped with the necessary production facilities both to supply individual country markets and to establish complementarity or integration agreements with other countries for the manufacture of more complex products, which will undoubtedly come to form a substantial part of future intra-regional trade.

A study of the Argentine machine-tool industry was completed (ST/ECLA/Conf.23/L.18 - E/CN.12/747). This follows the methods of the earlier study on Brazil,<sup>2/</sup> and provides a quantitative and qualitative assessment of the potential market, projected to 1975, within which Argentina's machine-tool industry can develop. It also analyses operating conditions in the industry and identifies the structural changes that will have to be made to enable it to keep pace with the anticipated expansion in demand.

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<sup>2/</sup> A brief description has been given in an earlier annual report (E/3766/Rev.3, paras. 196 and 197).

A similar study is planned for Mexico, after which it should be possible to prepare for a regional study on the manufacture of machine-tools. On the basis of the work done so far, it seems clear that the machine-tools industry will have to improve its structure, that the manufacturers' machine inventory will have to be increased and supplemented, and that the quality and productivity standards of certain machines will have to be raised in order to bring this activity into line with future requirements which, according to projections, will place more emphasis on production of the more complex types of capital goods than on the mere expansion of the volume of output.

During the year, a study was also made of the manufacture of textile machinery in Latin America. The data collected so far indicate that installed capacity in four countries - Argentina, Brazil, Colombia and Mexico - could supply about 60 per cent of the region's total demand, but that current utilization is only 20 to 30 per cent, and, in order to expand, the sector will have to overcome much the same sort of difficulties as those faced by the basic equipment industries, which have been the subject of earlier studies by the secretariat. These difficulties include structural weaknesses, under-diversified production, uncertainty as regards the characteristics of the machines that will be required, and a shortage of funds even for investment in research for the purpose of modifying or working out designs to meet market requirements.

Technical assistance activities were particularly important in the case of the metal-transforming industries, missions being undertaken for that purpose to Chile, Uruguay and Venezuela by the regional adviser concerned.

#### Textile industry

Since the eleventh session, five more studies in the textile series have been completed for Paraguay, Argentina, Ecuador, Venezuela and Mexico (Vols. VII to XI respectively). Another study, on economies of scale (ST/ECLA/Conf.23/L.9 - E/CN.12/748) was revised for presentation at the Symposium. It includes an analysis of the influence of plant size on costs and investment in the manufacture of cotton textiles. A preliminary  
/study of



study of the alternative technologies that could be chosen for the Latin American textile industry (ST/ECLA/Conf.23/L.33 - E/CN.12/746) was also prepared for the Symposium.

From the various studies carried out on this industry, including the regional report in course of preparation, it may be concluded that the satisfactory use of raw material, labour and capital resources is dependent on a number of factors and cannot develop spontaneously. In particular, the industry at large has no incentive to undertake such improvements in the present conditions of limited competition in closed national markets.

This industry, established at the end of the last century, accounts for about one-sixth of the value of Latin America's entire manufacturing output, and supplies 90 per cent of the textiles consumed in the region. Accordingly, expansion is conditioned not by import substitution prospects but by the growth of demand, which is characteristically slow for this type of product. The comparatively high prices of textile products (which tend to limit demand) are largely attributable to heavy production costs which, in turn, are the result of unsatisfactory operational conditions. The different country studies show that, with a few outstanding exceptions, the machinery installed is inefficiently utilized in terms of both hourly performance and numbers of hours worked. Similarly, the average level of manpower productivity is very low, which largely offsets the advantages deriving from relatively low labour costs. Such situations arise in all sorts of mills, old or new, large or small, and thus lead to the conclusion that the decisive factor is the quality of mill management. Only in some cases does the obsolescence of the machinery explain the low operational indexes; in other instances, the machinery is up to date, and yet the index figures reached represent only a fraction of those achieved with similar equipment in the highly industrialized countries. These differences are found not only from one country to another (in their respective averages) but also within one and the same country, where substantial disparities are observable between the more efficient and the less efficient enterprises. The former attain indexes several times higher

/than the

than the national average, thereby demonstrating that organization and management have a decisive influence on costs. At the same time, it shows that many mills, if they make efficient use of their existing resources, can achieve cost levels which will enable them to compete on international markets.

### Chemical industries

During 1965, work on the chemical industries has been directed towards several projects included among the recommendations of the Seminar on the Development of the Chemical Industry in Latin America (Caracas, December 1964). One of these has been to keep up to date the statistical information on the industry, which now includes data for 1964.

In accordance with arrangements made with the Inter-American Committee on the Alliance for Progress (ICAP), an inter-agency meeting on the fertilizer industry was held at Washington in June 1965. Representatives of FAO, ALALC, AID, IFC, IBRD, CIDA, SIECA, ECLA and the Institute attended the meeting, and the Joint Programme prepared two papers for it, dealing with the fertilizer situation in Latin America and prospects for co-ordinated action. It was agreed that the Joint Programme should assess fertilizer supplies and the prospects of expanding them, either by encouraging projects currently under study or by promoting new ones.

Meanwhile, the Joint ECLA/FAO Agriculture Division has been working on projections of demand up to 1970, and their findings will be presented at a second inter-agency meeting in 1966. Similar studies are being prepared on sodium alkalis for discussion at another inter-agency meeting.

A study on the petrochemical industries has also been prepared (ST/ECLA/Conf.23/L.30 - E/CN.12/744). This assesses the possibilities of establishing and developing a basic petrochemical industry in different Latin American countries, and of fixing targets in terms of the probable growth of domestic demand for the main chemical products, with due regard for the possible formation of a Latin American common market.

/The research

The research undertaken so far for the chemical industry as a whole indicates that, except in Mexico, its recent development has not followed the pattern observed in more advanced countries, where the industry's rate of growth far outstrips that of the industrial sector as a whole. Broadly speaking, its situation in Latin America is unfavourable because of its unsatisfactory technological levels and utilization of investment, and high costs. Hence it is not developing in a sufficiently dynamic way to keep pace with the rapid growth of demand in the region. More and more chemical products are being imported, as a result of the considerable production deficit in certain groups, including the sodium alkalis, chemical products for agricultural use, synthetic rubber, and plastic materials. Only a small number of items are exported.

Since many chemical industries need a relatively broad market if any new undertaking is to prove economically sound, it is not surprising that new activities in the region can be observed mainly in those countries where the market size justifies the heavy investment entailed by numerous production lines. This is particularly true of petroleum derivatives. Moreover, the world prices of many of these products are falling steadily, thus making it all the more imperative for Latin America's industry to move towards regional integration and so prevent the dissipation of national effort through the installation of low capacity units which would be incapable of competing on an international or even regional scale.

#### Pulp and paper industry

Nearly twelve years have elapsed since the meeting of experts on the pulp and paper industry (Buenos Aires, October 1954) at which the ECLA/FAO/BTAO Pulp and Paper Advisory Group was established. Consequently, it was decided to take advantage of the opportunity offered by the Latin American Symposium on Industrial Development to hold at the same time a Review Consultation on Pulp and Paper Development in Latin America. The main objective was to review progress in this branch of industry in recent years and the problems confronting its future development. In the light of the discussions, preparations will be made for a second meeting of experts on the industry.

/The studies

The studies undertaken by the Pulp and Paper Advisory Group indicate that output of paper and board practically trebled between 1950 and 1965, but that, in spite of this dynamic growth, the sector still depends to a great extent on imports to keep up with the growth of demand. In 1964, for example, the region as a whole had to import more than one-fourth of the paper and board it required, the bulk of this deficit (61 per cent) corresponding to newsprint. The regional report on the industry prepared by the Group (ST/ECLA/Conf.23/L.32 - E/CN.12/570/Rev.3) points out that, owing to the special characteristics of the manufacturing process for newsprint, only four Latin American countries produce it, and the situation is not likely to undergo any radical change in the next few years.

An analysis of the trends followed by pulp production during the same period 1950-65) shows that output increased over four times or even more than the increment recorded for the finished product. These differing rates of growth are indicative of one of the sector's most salient features in recent years, namely, its progressive integration, in the sense that its dependence on extra-regional sources for supplies of pulp is steadily decreasing. However, traditional raw materials (softwood) are not too plentiful, so that Latin American manufacturers have been obliged to use increasing proportions of non-traditional fibre resources, such as hardwood, and waste of vegetable origin, in particular sugar-cane bagasse. As these pulps cannot entirely take the place of long-fibre pulp, the region still has to satisfy a little over 20 per cent of its total pulp demand with imports. The proportion will be reduced still further when the sulphite pulp plant recently installed in Chile with a view to supplying the Latin American market enters into full production.

Latin America's paper industry started merely as the processing of imported pulp and local waste paper. Demand was limited and mill sizes were small. This is an industry in which economies of scale play a leading role, and recent developments indicate that manufacturers in Latin America are aware of this and that the present dissipation of effort can be regarded as a passing phase. There are already a small

number of large-scale mills with up-to-date equipment that are efficient enough to take advantage of economies of scale and obtain a satisfactory rate of return on the capital invested.

The outlook for the future is hopeful because of the far-reaching possibilities that would be opened up by a broader Latin American market, permitting better use of installed capacity and regional specialization. Not only could more imports from outside the region be replaced by domestically-manufactured products, but there might even be changes of exporting to world markets, particularly for pulp.

Based on the findings of the specialized studies carried out by the Group, a number of advisory missions has been undertaken to advise governments on specific problems of the industry.

#### Technological research

The importance of technological research for Latin America was underlined both by the activities of the special Advisory Committee on the Application of Science and Technology to Development and by the findings of the UNESCO Latin American conference on the same subject. The ECLA secretariat, which co-operated with UNESCO in organizing the conference, held at Santiago, Chile, in September 1965, prepared several papers for it. Some of these, undertaken with the help of consultants, dealt with the problems of transferring technical know-how from the industrialized to the developing countries. They were revised and presented at the Latin American Symposium on Industrial Development (ST/ECLA/Conf.23/L.12 and 34). Two more papers were presented at the Symposium on problems of applied research for the pulp and paper industry and steel industry (ST/ECLA/Conf.23/L.6 - E/CN.12/751 and ST/ECLA/Conf.23/L.44). They constitute a study of the problems confronting these industries, and the means available for solving them, in various countries of the region. Because of their broad coverage in terms both of countries and of problems dealt with, they are illustrative of the situation that arise in many other industrial branches.

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In the discussions at the UNESCO Conference on the Application of Science and Technology to the Development of Latin America and at the Symposium, particular attention was paid to the need for encouraging technological research in the region, the organizational requirements for research institutes, and the prospects of obtaining international co-operation. The secretariat's research has shown that the main functions of an applied research institute should be: (a) the systematic survey of natural resources and their exploitation; (b) the adaptation of national raw materials for non-conventional use; (c) the technical development of productive processes; (d) the application of new processes on an industrial scale, on conclusion of the stage of pilot plant experimentation; (e) the selection or design of the machinery to be used in the industry; (f) economic feasibility studies of industries; (g) general services to industry, such as analysis, quality and standard control, and information about possible solutions to problems that arise and the progress achieved in other countries; (h) technical assistance to industry through visits to plants; (i) the training of scientific and technical staff for industrial laboratories, and so forth.

Organizationally, the institutes could be (a) an integral part of a university; (b) semi-autonomous bodies connected with a university; (c) State bodies; (d) private bodies, generally belonging to some non-profit association working on a contract basis; or (e) bodies belonging to a manufacturers' association in some industrial sector. All have advantages and disadvantages.

Several Latin American countries have applied research institutes working under contract for industry, while in most of the others the universities are carrying out some kind of research, or provide some of the services indicated above. Argentina is the only country in which the research policy pursued by the Government encourages the formation of sectoral research associations, with a percentage of their costs subsidized.

## TRADE POLICY DIVISION

During 1965 the activities of the Trade Policy Division were directed towards the preparations for the meeting of government experts on economic integration, the ALALC meeting of Ministers for Foreign Affairs and the consultations on trade and development, as described in section A of this report.

The purpose of the first of these meetings was to re-examine the formulas and alternatives contained in ECLA's document E/CN.12/728, as requested in resolution 251 (XI) adopted at the eleventh session in May. A special working paper was prepared which summed up the fundamental requirements of an integration policy (ST/ECLA/Conf.21/L.3). The staff of the Division provided the technical secretariat for this meeting and was responsible for drafting its final report, with due regard for the comments and suggestions made by the experts at the final session with respect to the preliminary draft of that report.

Subsequently, the Division helped to prepare a paper containing the ECLA secretariat's suggestions for the meeting of Ministers for Foreign Affairs of countries members of ALALC (Montevideo, November 1965), which was submitted to the ALALC Standing Executive Committee. Many of these suggestions, which had arisen from the meeting of government experts mentioned above, were reflected in the resolutions put forward by Governments at Montevideo.

Together with its work on integration problems, the Division was concerned with more general problems of trade and development, particularly in relation to UNCTAD's work programme and to the contribution of the Latin American countries to the operation of the new world organization. A working agenda, with background material for each item, was prepared for the consultations on trade and development held at ECLA headquarters in December, in which small group of consultants and experts participated. Since the meeting the secretariat has been preparing an analysis of the results and of the ideas to be drawn from them for Latin American trade policies.

/Thus, as

Thus, as far as Latin American exports of primary commodities are concerned, it is felt that the so called standstill clause concerning trade barriers should be interpreted and implemented in such a way as to achieve at least the maintenance of the developing countries' share in the total supply of those commodities in the developed countries. International commodity arrangements should, moreover, be applied to a growing number of basic commodities if critical situations such as those currently affecting the cocoa and sugar markets are to be avoided in the future. Furthermore, every technical and political effort should be made to implement UNCTAD recommendations calling for the abolishment of discriminatory preferences and for the grant of compensatory benefits to the developing countries that would suffer commercial losses as a result of this change. There is an equally urgent need to strengthen the technical and political co-ordination of the trade policies of all developing countries through the establishment of regional and international ad hoc institutions and procedures. This step may be expected to improve the functioning of UNCTAD and make it possible for developing countries to obtain, either within the framework of GATT or through direct negotiations with individual developed countries, more substantial and specific results than before.

During the latter part of 1965 and early 1966, preparations were made for the training course on trade policy to be held from 1 July to 10 August 1966. This course is being organized by a specially appointed director, with assistance from the Division, the Institute and the United Nations technical assistance programme.

As from the beginning of 1966, the ECLA secretariat has seconded staff from the Trade Policy Division to Montevideo, with a view to providing the necessary liaison with the ALALC secretariat and fulfilling the role of an advisory organization for ALALC, as established in the Montevideo Treaty. These functions had previously been carried out on an ad hoc basis by the Regional Advisory Group on Trade Policy, which was based at Montevideo and whose chief represented the ECLA secretariat in ALALC. The Group will in future be located at ECLA headquarters in Santiago, from where it will be easier to undertake the advisory functions requested by Governments.

Staff of the Division participated, with members of the Regional Advisory Group on Trade Policy, in the meeting of ALALC's Standing

/Executive Committee



Executive Committee last November and in the subsequent meeting of ALALC Ministers for Foreign Affairs.

Supplementary work for the United Nations Conference  
on Trade and Development

A system has been introduced for collecting information and documents relating to the Trade and Development Board, the European Economic Community (EEC), GATT, and the other regional economic commissions.

Early in the year, three preliminary notes were prepared, dealing respectively with trends in trade between Latin America and EEC, current developments and decisions in the common agricultural policy of EEC, and the implications for Latin America of the possible agreement of association between Nigeria and EEC.

In this connexion, a preliminary evaluation was made of the prospects that might be opened up for Latin American primary commodities by a United States system of regional preferences.

As part of the advisory services provided by the ECLA secretariat to the Group of Latin American representatives accredited to EEC, an information paper was prepared for them dealing with several aspects of the production and trade of temperate zone agricultural products in Latin America.

The first stages were completed of a study on the promotion of exports of manufactures and semi-manufactures from the Latin American countries. Data were collected and analysed on the obstacles or incentives that exist in the different countries with respect to such exports. One encouraging aspect of this study was the fact that the countries themselves were well aware of the obstacles in their way and were already taking steps to remove them. Consolidated schedules were prepared for manufactures and semi-manufactures of special interest for the export trade of several Latin American countries; export statistics for these products in recent years were provided by the Statistical Division and the results were then passed for evaluation to the Joint ECLA/Institute/IDB Programme for the Integration of Industrial Development. These activities in relation to the possibilities of exporting manufactures form part of a joint ECLA/UNCTAD programme of work.

/Regional Advisory

Regional Advisory Group on Trade Policy

As indicated in the previous paragraphs, the Regional Advisory Group on Trade Policy is now based at ECLA headquarters in Santiago. It completed two years of work at the end of July 1965, during which time it provided advisory services to the Governments of Argentina, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela. In most of these countries, work is in progress which is the direct result of the earlier assistance given by the Group. Governments have at times requested some broad guiding principles for their trade policy and at others have asked for help with specific problems. The subjects dealt with include the following:

(a) Subjects of over-all trade policy, including foreign trade, diversification and promotion of exports, questions raised in UNCTAD and participation in GATT;

(b) Technical and administrative questions relating to the scope and aims of government action in trade policy and to the organization and functions of some national organizations concerned with trade policy;

(c) Subjects relating to participation in ALALC, including the utilization of concessions, technical preparations for negotiating, determination of origin, drawback, reciprocity, special treatment for less developed countries, trade policy systems concerning industries, use of safety clauses and so forth;

(d) Questions relating to the financing of transactions and systems for foreign exchange management, in connexion with inter-Latin American trade.

In those countries where there has been no specialized department dealing with trade policy or where this function has been scattered among several departments without sufficient mutual co-ordination, the Group helped to encourage - in some cases with excellent results - the taking of decisions designed to improve the situation.

Apart from its direct advisory functions, the Group has helped to shed light on several technical problems through its participation in innumerable formal and informal meetings and working groups of ALALC organs.

/Among other

Among other activities carried out in collaboration with ALALC, the Group played an active role in studying collective measures which the Contracting Parties to the Montevideo Treaty could take in favour of the relatively less developed members, with a view to ensuring a fair distribution of the benefits of integration. The group also participated in a joint mission with ALALC to advise the Bolivian Government, at its request on questions relating to its possible participation in the Montevideo Treaty.

In reviewing its work over the past two years, the Group has prepared observations on a number of problems which have come to its attention. These include an enumeration of obstacles in the way of exports of manufactures, the position of the relatively less developed countries, the need for more research as to the specifications and terms which Latin American goods must meet in order to have access to potential markets, questions concerning the advantages or disadvantages involved in membership of GATT, and so forth. Similarly the problem of financing looms large in the framework of Inter-Latin American trade. In this connexion the Group explored the situation in six countries, with the help of the respective monetary authorities and private banking. Guiding principles were evolved which have had a decisive influence on the position of the Presidents of Central Banks of the ALALC countries. They met at Montevideo in May and opened the way to financial collaboration designed to lead, at a first stage, to a system for multilateral compensation of balances which will, it is hoped, correct some of the existing situations.

The Group also prepared an analysis of the present stage reached in the work of determining, within ALALC, the requirements concerning the origin of goods. Similarly, consideration was given, at the request of ALALC, to insurance and re-insurance problems.

In July, the authorities of Peru suggested that one of the subjects requiring the Group's co-operation was the exploration of bases for a proposal designed to open up, within ALALC, facilities and encouragement for trade in folklore arts and crafts, which would help to maintain and raise the employment level in some regions such as the Peruvian plateau. Peru itself is already trying to develop an export flow of handicrafts to the United States market, and the action within ALALC would be of interest to several countries with similar problems.

/During the

During the latter part of 1965, expert advice was furnished to the Governments of Chile, Peru and Uruguay. Members of the Group also kept in touch with Venezuelan officials, discussing with them in particular the question of diversifying Venezuela's foreign trade and its participation in ALALC. The Group also collaborated with ALALC experts in the preparation of a report which analyses various aspects of Paraguay's foreign trade, and, in October, one of its members visited Asuncion to discuss the final presentation of the report with Paraguayan authorities. Early in 1966 a follow-up mission was undertaken as part of a joint ECLA/ALALC/IDB effort to assist the relatively less developed countries to solve their problems in relation to the movement towards economic integration.

#### Common market and integration

The work carried out by the Division in relation to the common market and integration has been described in the introductory paragraphs to this section of the report and in Part A, under the heading of "Trade Committee". The increasing interest shown by Governments in accelerating the advance towards a common market is due in part to the spectacular results being achieved in the Central American common market, as described earlier under Part A; however, it is also due to the results that are being achieved by ALALC. By 31 December 1964 - that is, after ALALC had been operating for three years - trade among the nine member countries amounted to 1,204 million dollars. This figure was 545 million dollars more than in 1961. During the same period, trade with the rest of the world increased by 395 million dollars. In other words, trade among the ALALC countries themselves accounted for 65 per cent of their total increase in trade. Percentagewise, intra-area trade rose from 6 to 10 per cent between 1961 and 1964.

Because of the interest expressed by governments in the results of the ALALC negotiations so far, the secretariat's Special Study Group continued with the evaluation of those negotiations. A first part, with data up to and including 1963 was presented at the eleventh session (E/CN.12/717). Since then a second part has been prepared, which includes monographs for each of the nine members of ALALC, and a statistical

/evaluation of

evaluation of the movement of exports between 1959-61 and 1963 and, for some countries, up to 1964. This material has been presented to the ALALC secretariat for analysis and revision jointly with the seconded staff of the Division.

#### Trade policy course

Plans are now advancing for the first trade policy course, requested by the ECLA Trade Committee in resolution 14 (III). The course is being organized by ECLA, with the help of the United Nations Development Programme and will take place at Santiago, Chile, from 1 July to 10 August 1966. The course is specialized and its object is to train Latin American officials at the intermediate level who are already helping to draw up external trade policies in their respective countries and who may eventually be in a position to play an active role in formulating the guide-lines for those policies and finally executing them. Mr. Alberto Baltra Cortés, former Minister of Economic Affairs of Chile, has been appointed as director of the course.

The course will be given in Spanish and will consist of lectures and seminars supplemented by selective and intensive background reading. The curriculum will comprise the following subjects: (a) International trade, integration and economic development; (b) Trade policy, its formulation and execution; (c) International institutions concerned with trade policy; (d) Trade policy trends in the Latin American countries; (e) Objectives of a Latin American trade policy; (f) Trade policy and regional economic integration.

The terms for attending the course are the same as those for similar United Nations programmes. One fellowship will be granted to each Latin American country, which may also send a second participant at their own expense, if they wish. The participants must attend on a full-time basis, and those who complete the course satisfactorily will be given a certificate to that effect.

/ Special studies

### Special studies section

In addition to the evaluation of the results of the ALAIC negotiations, which was presented in the studies mentioned earlier, this section has also been engaged on two other projects.

#### Comparative price levels and parity exchange rates

Information on price movements in Latin American countries was collected and analysed in order to maintain on an up-to-date basis the indexes of price levels and the purchasing power parity coefficients published by ECLA in its document E/CN.12/653. Work also continued on the calculation of basic figures for which United States weights were used as well as average Latin American weights so as to provide an alternative set of indicators for measuring, inter alia, relative income levels throughout the region.

Discussions were held with economists in ECLA and the Latin American Institute for Economic and Social Planning as to the possible use and application of the indicators in analytical work, and, in particular, for sectoral studies of economic development.

#### Labour costs in Latin American industry

In 1964, the International Labour Office decided to begin a study for selected Latin American countries on the same lines as that conducted jointly by the ILO and the ECLA Mexico Office for Central American countries during 1962 and 1963. This study covered all main industrial establishments in the region, and related wage costs to the value of production, the hours worked etc. A series of discussions were organized in the middle of 1965, between Mr. Marcel Fabri (the ILO specialist assigned to this project) and various economists and statisticians, in both ECLA and the Institute, so as to determine the ideal coverage of a further study, the objectives, methodology, and resources required. Recommendations were then made to the Executive Secretary regarding the nature and extent of ECLA's participation. Since then Mr. Fabri has visited most of the South American countries in order to ascertain what assistance would be forthcoming from the national offices concerned, and to obtain first-hand information as to the problems involved and the way in which these should be handled.

/JOINT ECLA/FAO

## JOINT ECLA/FAO AGRICULTURE DIVISION

One major and regular task of this Division is the preparation of material on economic problems of agriculture for two annual publications, the Economic Survey of Latin America and FAO's State of Food and Agriculture. Work continued on the special research projects relating to agricultural inputs and to agricultural problems of integration.

Agricultural inputs

It will be remembered that in 1964 ECLA, FAO and IDB agreed to carry out a joint study of the main physical inputs used in agricultural activities, such as fertilizers, pesticides and agricultural machinery. This decision arose out of the important role which these inputs can play in bringing about a an appreciable increase in the low levels of productivity which prevail in most of Latin America's agricultural activities.

The Joint ECLA/FAO Agriculture Division has been in charge of these studies, with the help of a full-time economist provided by IDB and some part-time consultants.

In Broad terms, it had been agreed that the research should cover the main factors affecting the production, marketing and use of these inputs, with particular emphasis on an analysis of the factors limiting supply and consumption. One of the more important objectives was to provide basic conclusions that would help to direct production of these inputs in the region, in the light of the economic integration programmes under way.

During 1965, field work was undertaken in a number of countries, and the first drafts were completed of studies on fertilizers, pesticides and agricultural machinery in Peru, and on the first and last items in Mexico and Venezuela. Final drafts were made of studies on fertilizers in Argentina, Brazil, Chile and Colombia.

In June 1965, an Inter-Agency Working Group on Fertilizers was held in Washington. It was convened by ICAP and attended by representatives of ECLA, FAO, IDB and ALALC. As a result of the Group's discussions, it was decided that work on agricultural inputs in the immediate future would

/concentrate on

concentrate on fertilizers. Since then the Joint Division's research has focused on this aspect, and the resulting studies will complement others on the fertilizer industry in Latin America that are being prepared by the Joint ECLA/Institute/IDB Programme on Integration of Industrial Development. The study will cover all the ALALC countries, plus Bolivia and Venezuela, and the five Central American countries. Special arrangements have been made with ECLA's Mexico Office for the work in Mexico and Central America.

The research undertaken so far shows that the consumption of fertilizers is still very low in Latin America, especially in Argentina and Brazil. From the studies and the application of these inputs by farmers, it is clear that yields can be substantially improved if the recommended amount of fertilizer is applied. In terms of Latin America as a whole, the growers of the principal crops are using only one-eighth of the theoretical ideal, the resulting deficit of NPK being about 6 million tons.

The following factors are some of those limiting the use of fertilizers:

- (a) the high prices of these inputs in the majority of Latin American countries, with the exception of Chile, Mexico and Venezuela. This is due partly to the fact that supplies depend largely on imports, and partly on the high marketing margins. There is no doubt that consumption of fertilizers could be greatly increased by reducing retail prices;
- (b) the limited nature of research, extension and credit services, which means that many farmers are unable to benefit from them. Furthermore, these services show a lack of co-ordination;
- (c) deficiencies in the marketing of agricultural products, mainly in respect of storage, transportation and sharp price fluctuations, with the result that farmers do not have enough incentive to increase their output;
- (d) the existence of numerous latifundios and minifundios in many Latin American countries which is a serious obstacle to the introduction of modern agricultural practices. Many big owners have neither the incentive or the interest to use the kind of inputs that improve yield, while small growers, on the other hand, do not have the means to buy and apply them.

/A projection



A projection of future fertilizer demand shows that, if current obstacles are eliminated, consumption of nitrogen, phosphorus and potassium (in terms of plant nutrients) could rise to about 2.4 million tons (double the 1964 figure) by 1970, and 4 million tons by 1975. If recent trends are maintained, however, consumption would not be more than 2.4 million tons in 1975.

In the latter case, the crop area would have to be enormously expanded to increase agricultural production to the requisite extent. The maximum hypothesis, on the other hand, assumes that greater emphasis would be placed on the improvement of unit yield, which, in its turn, would be largely contingent on increased use of fertilizers.

#### Agricultural integration in Latin America

In the light of discussions at the meeting of government experts on integration and at the different ALALC meetings, considerable thought has been given to the need to undertake research on agricultural integration. Preliminary outlines have been prepared for discussion with the ALALC secretariat, and work has proceeded on the collection and tabulation of data on production and consumption of agricultural commodities in Latin America, with a view to preparing an evaluation of the present agricultural situation in the region and a study of future prospects based on different hypotheses of growth in the context of regional agricultural integration.

#### Co-operation with the Inter-American Committee for Agricultural Development (CIDA)

The ECLA secretariat has continued to second a senior staff member from the Joint Division to work with CIDA. During the latter part of 1965, this staff member worked in Santiago and helped to prepare a regional report on land tenure which summarizes the findings of the seven land tenure studies undertaken by CIDA. Prior to this he completed the report on Brazil.

In December he represented the secretariat at a Conference on Land structure in Latin America, held in Berlin under the auspices of the German Foundation for Developing Countries (Zentralstelle Landwirtschaft der Deutschen Stiftung für Entwicklungsländer).

/STATISTICAL DIVISION

## STATISTICAL DIVISION

During the early part of the year, the Statistical Division made an extensive review of its activities in order to bring the series it compiles more closely into line with the needs of the different operational units of the secretariat. The staff participated in a series of meetings with these units, at which the statistical needs of each were discussed in relation to their work programmes.

Later on, efforts were concentrated on the preparations for a meeting on industrial statistics (subsequently postponed until 1967) and for the working group on national accounts, which took place at ECLA headquarters in November. An account of this working group has been included earlier in this report under the heading "Meetings and seminars".

In conjunction with the Economic Development and Research Division, the Division also reviewed the specific requirements for the annual Economic survey of Latin America, and arrangements were made to introduce a system of country correspondents to combine the needs of the two Divisions.

With the Division's return to its normal strength in 1966, measures are being taken to intensify the work on social statistics. As a result of discussions with FAO on agricultural statistics, it has been agreed that ECLA should base its statistical material on data to be supplied by FAO. This agreement is the fruit of an exchange of views over the years, during which efforts have been made to standardize their procedures by allocating crops harvested in periods that overlap from one year to the next to a single definite calendar year.

### Continuing activities

Two issues of the Statistical Bulletin for Latin America have been published since the eleventh session of the Commission, namely, Volume II, N° 2, in October 1965 and Volume III, N° 1, in preliminary form in March 1966.

/During the

During the last three months of 1965 and early 1966, the Division directed most of its resources towards the preparation of material for the 1965 Economic Survey of Latin America.

Special studies or activities

Prospects for mechanizing some of the work of the Statistical Division were explored, in particular external trade tabulations, and proposals put forward. A new external trade classification by economic use or destination (CUODE) was prepared and discussed by the secretariat. Comments were obtained from the United Nations Statistical Office and the ECLA Mexico Office, and a revised edition was issued as document E/CN.12/739.

The secretariat prepared two studies for the working group on national accounts. One was an adaptation for the Latin American countries of proposals for revising the United Nations System of National Accounts (SNA) (ST/ECLA/Conf.22/L.2), while the second included some supplementary suggestions to the proposals for revising the SNA in terms of the economic analysis requirements of the Latin American countries (ST/ECLA/Conf.22/L.4). The working group specifically endorsed some of the ideas put forward in the second document, and considered that the inclusion of the system proposed in it would serve to accentuate the need for international agencies to give priority to defining concepts and methods for solving these problems.

Preparations continued for the Latin American Seminar on Industrial Statistics, which is to take place at Quito, Ecuador, in the last quarter of 1966.

A draft document on recent experiences with industrial censuses in the different countries has been circulated for comments and the work to be done was distributed between ECLA, the United Nations Statistical Office and the Inter-American Statistical Institute, all of which are sponsoring the Seminar, which will be financed as part of the technical assistance programme.

/Technical assistance

Technical assistance

A regional adviser on statistical sampling was appointed in the second half of 1965. The regional adviser on vital statistics carried out missions to Paraguay in May and July and again for two months from October to December. In August he undertook an assignment to Colombia, Venezuela, the Caribbean countries and Panama. The missions to Paraguay were designed to provide assistance during the different stages of obtaining approval for the draft basic legislation for the Civil Registration Service, and to hold an initial training course for senior civil registration officials, to enable them to join the staff of the new agency and receive the new salary scales. At the beginning of 1966 a new regional adviser on economic statistics was appointed and began his work by undertaking missions to Peru and Ecuador.

Comments were prepared on the reports of a number of country experts.

Co-operation with the Latin American Institute for  
Economic and Social Planning

Staff of the Division participated in different training courses organized by the Latin American Institute for Economic and Social Planning. One staff member lectured for two months during the intensive course in Bolivia. In addition, assistance has been given in connexion with the preparations for the two courses on housing programming and trade policy to be held in 1966.

## NATURAL RESOURCES AND ENERGY PROGRAMME

Since the eleventh session, efforts have been concentrated on the preparation of papers for the UNESCO Conference on the Application of Science and Technology to the Development of Latin America (see under "Meetings and Seminars" the petroleum study, the preparation of material on mining and the study of water resources.

Natural resources

The secretariat was responsible for the preparation of three papers for the scientific and technological conference organized by UNESCO. They dealt with geology and mineral genetics in Latin America, the availability of certain resources in relation to general economic development targets, and the integrated development of inter-related renewable resources in a river basin. The first and last of these were prepared by consultants engaged for that purpose.

Some interesting conclusions may be drawn from these studies. One is that there are areas with a great mining potential that have been insufficiently explored, because they cover more than one country and which open up very encouraging prospects for combined exploration and study. Some examples are the Central zones of Argentina and Chile, southern Peru, northern Chile and the eastern part of the Bolivian and Argentine cordillera. The second conclusion is that river basins, should be studied, on the one hand, as part of physical and economic planning at the regional and national levels and, on the other, on the basis of a simultaneous and co-ordinated approach covering all inter-related renewable resources found in those basins. This also indicates that it is essential to reorganize the administrative systems concerned with the development of water resources in order to equip them to do their work as effectively as possible.

In the case of the petroleum study, work has continued on the collection and analysis of data. Research is being undertaken simultaneously in Santiago, Caracas and Mexico, on the basis of a co-ordinated plan. The work in Caracas is the responsibility of a specially-appointed group

/of consultants

of consultants under the general guidance of ECLA. Although various problems have arisen in connexion with the preparation of material on projections, Latin American integration in relation to the petroleum industry, reserves, price structure, investment and so forth, progress has been more rapid with respect to production, refining, marketing, prices and consumption. The last-named item has been sub-divided into sectors of activity to provide a satisfactory basis for the corresponding projections up to 1975-80. A small meeting of some of the experts working on the study was convened at ECLA headquarters in February 1966 in order to examine the problems presented by the analytical material and to devise ways of solving them.

It is hoped to complete the first draft of the study by mid-1966 and then to revise it for presentation at a meeting of experts on the Latin American petroleum industry to be held later in the year.

Although it is too early to draw any definite conclusions from the study, certain facts stand out even at this stage. First of all, it is clear that current knowledge of proven and probable petroleum reserves is quite inadequate in relation to national supply requirements, particularly in large consumer countries such as Argentina and Brazil; hence there is an urgent need to intensify prospecting work. Secondly, the development of national petroleum refineries needs to be rationalized and co-ordinated in order to improve production and trading patterns for crude oil and petroleum products among the Latin American countries. Thirdly, the petroleum policies defined should be in keeping with the characteristics of each country's petroleum resources and its status as a consumer or exporter.

For the first time in many years, the 1965 Economic Survey of Latin America will include a chapter on mining activities in the region. Research conducted during the year shows that, as a general rule, satisfactory progress has been maintained, not only with metallic minerals and, in many cases, the ore processing, but also with other important commodities such as sulphur. Large-scale expansions and improvements are being carried out in several large enterprises and new mining activities are being planned.

/At the

At the same time, headway is being made in the modernization of mining legislation in some countries (which, in many of them, is extremely antiquated), with a view to rationalizing the industry and providing it with a firmer economic base. However, even in those Latin American countries which do have financial and technical instruments for promoting small and medium-scale mining, State development activities are not very extensive and their effects are slight. However, efforts are being made to increase their effectiveness, which is also the purpose of organizational and operational changes proposed for some of the big State mining enterprises in some countries.

#### Energy

Statistical data and other information on energy were collected for the 1965 Economic Survey of Latin America. Help was obtained in this work from the Revista Latinoamericana de Electricidad.

The staff of the Programme have been advising the appropriate authorities in Chile and Peru in relation to two meetings to be held by these countries and dealing respectively with rural electrification and the planning of electric power systems. In addition to providing assistance with the agenda and organizational matters, two papers are being drafted for the second of these meetings. The Federal Electricity Commission of Mexico is also planning to hold a meeting, in 1967 on rural electrification problems, for which it will have the advice of the staff of the Programme.

#### Water resources

The water resources survey groups, which are staffed jointly by ECLA, two regional advisers on hydroelectricity and multipurpose water development, a hydrometeorologist provided by WHO and a water supply expert provided by WHO/PAHO, have continued with their studies.

#### Argentina

Preliminary drafts had been completed in 1964 and circulated for comments in the country. These comments were received late in 1965 and, since then, drafting of the final version of the report has been in progress.

/One interesting

One interesting conclusion of this study relates to the River Bermejo. This river, which rises in Bolivia and flows through northern Argentina until it runs into the River Paraguay, just before it joins the Paraná, carries down with it immense quantities of sand and silt. Some authorities believe that these account for over 50 per cent of the deposits in the River Plate delta, which requires constant and costly dredging to keep the Port of Buenos Aires open.

A large-scale reforestation programme for the land around the headwaters of the Bermejo, combined with the construction of a dam across the river at Oran, near the Bolivian frontier, would help to solve a number of problems. To begin with, steps should be taken to combat soil erosion in southern Bolivia; secondly, the river's flow could be regulated to prevent the serious flooding which affects northern Argentina and has caused a great deal of damage in early 1966; thirdly, there would be a substantial saving, at relatively low cost, in the vast sums now needed for dredging the River Plate.

Another interesting aspect of this study lies in the detailed evaluation which it provides of the various possibilities of obtaining an optimum electric power supply by means of regional inter-connections (i.e. centre-Cuyo), and for multipurpose projects or systems for the use of water resources. In some cases, new methods were used for this work, with the help of the Electronic Computer Centre at the University of Buenos Aires.

Consideration was also given to the problems of exchanging electric power between Uruguay and Argentina, in particular, through the medium of the Salto Grande joint hydroelectric project on the River Uruguay.

### Peru

The preliminary draft of the consolidated report was completed towards the end of 1965 and circulated for comments and criticism in Peru. The important provisional conclusions, at the level of water development policy, include suggestions for the re-organization of the administrative system in this field, and the development of electric power systems on the basis of integrated networks and priority projects; other tentative

/proposals deal



proposals deal with a technical and economic analysis of nature of irrigation plans from a sound practical standpoint and the essential work that has to be undertaken to rationalize them. If these suggestions are put into effect, it is believed that efficient services could be organized, which would economize effort, time and capital.

### Uruguay

Field work was completed at the end of 1964, and drafts were prepared during 1965 on the legal and institutional aspects of the study and on hydroelectricity. A further analysis was made of general economic development, electric power, irrigation, the drinking and industrial water supply, contamination of beaches and water courses, and underground water. Special importance attaches to the research on this last point, because of the serious droughts periodically which afflict Uruguay. These droughts affect the quality of the meat and wool, as well as over-all yields, and result in a loss of grazing land for long periods. The study shows that there is abundant underground water in at least one-third of Uruguay's territory. This is generally unsuitable for reservoirs, but if the water were tapped through a system of wells, the problem of the recurrent droughts would be immediately solved.

### Co-operation with the Latin American Institute for Economic and Social Planning

In August, the secretariat collaborated with the Joint Advisory Group in Peru in the analysis of certain projects and of the programme for developing hydroelectric power. The mission was undertaken in response to a request from the ECLA/OAS/IDB Ad Hoc Committee on Co-operation.

Also at the request of the Committee, a staff member of the Natural Resources and Energy Programme travelled to the Dominican Republic, together with the regional adviser on multipurpose water development, to make an initial diagnosis and lay down guide-lines for future programming with respect to energy, irrigation, the provision of drinking water and drainage systems.

Advice has also been given in Chile on problems relating to the Programme's special subjects.

/TRANSPORT PROGRAMME

## TRANSPORT PROGRAMME

For the past few years, the work on transport has been carried out with the assistance of two experts provided by OAS. This collaboration continued in 1965, with one expert on maritime transport and another on railways. As of August 1965, a regional adviser on transport has been provided by BTAO.

During the early part of the year, the major study on transport - completed in 1964 - was revised for printing. Subsequently efforts were concentrated mainly on specific problems of maritime and inland transport and on co-operating with UNCTAD in the preparation of material for a number of its studies.

### Problems of maritime transport in relation to the work of UNCTAD

The Director of the Transport Programme was seconded to UNCTAD for several months during 1965, and upon his return to Santiago, arrangements were made with the UNCTAD secretariat to combine the research work on some of the transport problems affecting international trading conditions.

The co-operation given mainly related to the preparation of the documents for the first meeting of the Committee on Shipping of UNCTAD's Trade and Development Board, held at Geneva in November 1965, and the preparation of detailed outlines for studies on shipping problems in Latin America and other parts of the world, in the light of UNCTAD's objectives, for submission to its second session in 1967.

Among the documents prepared for the first session of the Committee on Shipping, there was a note by the Secretary-General of UNCTAD containing suggestions for a programme of work, a report containing an outline and an analysis of Shipping questions which were examined during the first session of the Conference, and a report on the activities of the regional commissions, including ECLA, in relation to shipping.

The Secretary-General's proposed work programme provided for studies on (i) the establishment, on a national and regional basis, of consultative machinery for solving differences between shipping lines and conferences and the users of these services; (ii) the level and structure of maritime freight rates, conference practices and the adequacy of shipping services;

/((iii) the

(iii) the improvement of port operations and allied facilities; (iv) the establishment or expansion of merchant fleets in the developing countries; (v) current and long-term aspects of maritime transport services; and (vi) other questions.

The Committee adopted a work programme which was practically the same as that proposed by the Secretary-General, except for item (ii). In that connexion, the delegations from the developed countries indicated, in the course of the Commission's deliberations, that "in so far as it would be appropriate to deal with freight rate questions, they should be treated within the consultation machinery" and that "primarily, they considered that freight rate questions should be the subject of bilateral negotiations between the parties directly concerned: shipper and shipowner". The delegations of the developing countries urged "the need for an over-all international study of freight rates which was essential for the formulation of a realistic policy and might, in particular, help to remove existing barriers to inter-regional and intra-regional trade". They also pointed out that "without freight rate studies, the work of the consultative machinery would be ineffective if not paralysed", and that "the problem of freight rates affected the study of all the other subjects and was of such gravity that it should be considered first."<sup>10/</sup>

It proved impossible to reconcile the different opinion. The Committee, after exhaustive discussions, agreed that the "Secretariat will present to a special session of the Committee in July 1966 a report on a study of the above subject, which will be devoted to a description of the approach and methods to be used in the study as well as an explanation of its objectives. If it is approved, a report on the progress of the study will be made to the next regular session of the Committee".<sup>11/</sup>

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<sup>10/</sup> Report of the first session of the Shipping Commission, 6 to 25 November 1965 (TD/B/36 - TD/B/C/4).

<sup>11/</sup> Ibid.

In addition to the foregoing, the studies included under (iii) and (iv) above are of particular interest for Latin America. The studies on the improvement of port operations and related facilities will be started by the UNCTAD secretariat with the close co-operation of the Resources and Transport Division in the United Nations Department of Economic and Social Affairs, and of the regional commissions, which have, in recent years, been paying special attention to port problems. The studies on the establishment and expansion of merchant fleets will concentrate on the following points: (a) the role of merchant fleets as a factor in national or regional economic development and, in particular, in the diversification of the economic structure of developing countries; (b) the relative priority of investment in shipping over investment in other sectors; (c) the net effect of shipping operations on the balance of payments of developing countries; (d) the national merchant fleets as a factor in securing employment in a country; (e) national merchant fleets as an instrument for promoting exports from developing countries.

The study on port problems will include (i) an analytical review of the main technical, operational, administrative and labour problems faced by the developing countries in the improvement and modernization of their port facilities and operations; (ii) an analytical evaluation of the technical and financial assistance received in the past ten years by the developing countries for the development and improvement of their ports, and conclusions as to possible improvements and greater efforts to increase such technical and financial assistance; (iii) an analysis of the implications, for port development in those countries, of the new port construction and operation techniques and the technical improvements and innovations in maritime navigation.

With respect to the expansion of merchant fleets, studies will be undertaken on Argentina, Colombia and Ecuador. Among the developing countries, Argentina has one of the largest cargo fleets, while Colombia and Ecuador offer a particularly interesting example of co-operation between developing countries for establishing and operating a fleet of that kind. Detailed outlines have been prepared for both studies, with due regard for the indications in the work programme adopted by the

/Shipping Commission.

Shipping Commission. The UNCTAD secretariat has secured the co-operation of experts in both Colombia and Argentina in the preparation of the studies, which are expected to make a valuable contribution to the analysis of economic criteria and priorities for guiding investment in the region's merchant fleets.

Another study had been proposed, on maritime freight problems and the practices of shipping conferences and their bearing on the development of one Latin American country's foreign trade, but has been postponed until information is available on the results of the special session of UNCTAD's Shipping Commission in July 1966.

#### Transport and regional economic integration

There is a growing awareness in the region of the importance of transport and communications for regional economic integration. At the meeting of government experts on economic integration in September (see under "Meetings and Seminars"), the experts stressed the importance of the problems produced by the region's inadequate infrastructure and the need to improve it as a fundamental pre-requisite for achieving effective economic integration in Latin America. They also emphasized the need for a modern and adequate telecommunications network to link up the countries in the region, and stressed in that respect the importance of the project for forming an inter-American telecommunications network and the need for technical and financial studies to bring this into being.

Other important events were the organization of the Latin American Railways Association (ALAF) in September 1965, with its headquarters at Buenos Aires, and the convening by the Latin American Shipowners' Association (ALAMAR) of a River Transport Committee.

ALAF can play a very important role, not only by increasing international rail traffic and improving its services, but also by helping to solve the innumerable administrative, commercial and technical problems currently hampering progress in the Latin American railway enterprises. In this sense, ALAF may be considered as the beginnings of an organization similar to the International Railway Union (UIC) which has done so much to develop and facilitate international rail traffic in Europe.

/The first

The first meeting of ALAMAR's River Transport Committee provides an opportunity for forming a permanent regional organization of enterprises engaged in river transport and for examining the present and future role of river transport in regional economic integration.

The growing interest in regional inland transport problems was reflected in the fact that, at its meeting in September, ALALC's Transport Advisory Committee (CAT) reviewed them for the first time. At that meeting, in which an ECLA observer took an active part, a number of decisions and resolutions were adopted relating to a programme of studies and work which it would be desirable to undertake, with the co-operation of ECLA, with a view to improving, facilitating and developing inland transport as a basic element for the regional integration process and the development of trade in the Free-Trade Area.

Under these circumstances, ECLA has, over the past year, been paying more attention to regional inland transport problems. A provisional paper, which was completed in August and presented at the above meeting, provides background material on international land transport in the Latin American countries. It contains a detailed study of present conditions and prospects for rail and road transport between Argentina, Brazil, Paraguay and Uruguay, and analyses the difficulties faced by these means of transport and the measures which should be taken to remedy them. Part of the study reviews and analyses agreements on international road and rail transport concluded under United Nations auspices during the past ten to fifteen years, in particular by the Economic Commission for Europe (ECE). The study also refers to the functions and activities of UIC and several other international railway organizations in Europe, since it was considered that all this information would provide valuable background material for examining the problems facing inland transport in Latin America. Finally, the study contains an analysis of agreements on road and rail transport that are currently in force in Latin America. In view of the work programme adopted by CAT, it is planned to extend this study to the other countries in the region.

/During its

During its September meeting, CAT also dealt with a number of technical, legal, operational and commercial problems relating to regional air transport. The corresponding decisions and recommendations cover a detailed programme of work on the subject, some of which will be carried out with the help of the International Civil Aviation Organization (ICAO), and provide for the establishment by ALALC of a permanent technical group to carry out studies on aeronautics.

With respect to maritime transport, further efforts have been made in ALALC to reach a consensus of opinion on the proposed regional shipping agreement. In accordance with a resolution adopted in the Fourth Conference of Contracting Parties to the Montevideo Treaty (Bogotá, 1964), ALALC convened a government meeting on water transport (Montevideo, May 1965). At that meeting, in which the maritime consultant attached to the ECLA/OAS Transport Programme participated, a statement was made and approved on ALALC's policy with respect to maritime, river and lake transport, setting forth the fundamental objectives of member countries in that field. However, there was no agreement on the conditions for reserving cargoes, within intra-Area trade, for merchant fleets of ALALC countries. As a result, it proved impossible to conclude a regional shipping agreement, even though some progress was made in drawing one up, and ALALC organs were recommended to continue with the preparatory work for the agreement. The policy statement was approved by the ALALC meeting of Ministers for Foreign Affairs in November 1965 as well as by the technical meeting that preceded it. The meeting of ALALC Foreign Ministers also recommended that its new Council of Transport and Communications should submit to the Standing Executive Committee, as soon as possible, a draft agreement on water transport in the Free-Trade Area.

The new Council was set up at the end of 1965 as the result of a decision by the Standing Executive Committee. It will consist of those immediately responsible for preparing and executing national transport and communications policies, and its main task will be to reconcile and co-ordinate the relevant policies of the Contracting Parties, with a view to creating the infrastructure needed by the

/Latin American

Latin American common market if intra-Area trade is to be expanded and the economic integration process accelerated. The Council will also guide the studies and work of CAT.

The ECLA secretariat has continued to co-operate actively with other international organizations in the adoption of measures to improve maritime and river transport in the region. It also took part in the meetings of the group of experts on facilitation of water transport and of the OAS Permanent Technical Committee on Ports, at which approval was given to the draft annex to the Mar del Plata Convention on Facilitation of Water Transport. This draft annex, once approved by the Special Inter-American Ports Conference, convened by the OAS for April 1966, will enable the Convention to enter into force; with this, an important step will have been taken towards simplifying the documents required of ships, passengers and cargoes.

ECLA also completed a study on consular procedures in maritime transport, as part of its contribution to ALALC's work. This study proposes the reduction, rationalization and eventual elimination of such procedures in maritime transport. Another study was prepared on Latin American maritime transport charges, which analysed the different taxes hampering water transport in the Free-Trade Area.

Another important aspect of ECLA's activities in relation to water transport was the establishment in the region of consultative machinery between the users of such transport and the shipping conferences and lines. This had been the object of an important recommendation at the first United Nations Conference on Trade and Development. In November 1964, ECLA's Trade Committee adopted resolution 18 F (IV) urging all countries in the region to take the necessary steps to establish the said consultative machinery as soon as possible. For this purpose, ECLA obtained the collaboration, through BTAO, of a regional adviser on maritime transport.

No such consultative machinery existed in the region, nor were there any shippers' associations or councils to examine the problems and interests of maritime transport users and to represent and defend their interests in consultation with the shipping conferences. Consequently,

/direct relations



direct relations and contacts had first to be established with the existing organizations of commercial, industrial, agricultural and mining enterprises in the region, and, in particular, with entrepreneurs concerned with intra-regional and international trade, in order to bring to their attention the nature and importance of the problem and the desirability of setting up shippers' councils, on which the various interested parties would be represented.

Committees or councils of shippers or users are at present planned for only nine countries in the region - Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela - in view of such factors as the volume of their maritime export trade, their ports and merchant fleets and, in particular, the degree to which private trade associations have developed. Experience has so far confirmed that shippers or users are seldom organized with respect to commercial and transport problems, although their trade associations may be efficient and powerful in other areas of their activities. On the other hand, the shipping conferences and shipping lines are united and technically equipped to represent and defend their positions and interests. The boards of the trade associations are forced to concern themselves in all countries with a variety of other economic, social and political issues, which prevent them from paying proper attention to maritime transport problems. The lack of a technical group on shipping questions within the private trade associations is in several countries one of the major obstacles to be overcome. Moreover, the conferences and shipowners view with some misgivings the formation of the shippers' organizations or councils.

However, the firm support given to the idea of establishing such organizations by a large number of private trade associations in the interested sectors of production and trade in Brazil, Colombia, Mexico, Peru and Venezuela, and the formation of shippers' councils in Argentina, Chile and Uruguay, indicate that greater progress may be expected in the near future together with the removal of the difficulties and obstacles mentioned above in part.

/The problem

The problem of insurance in UNCTAD

Finally, mention should be made of the co-operation extended by ECLA to the UNCTAD secretariat during the period covered by this report in relation to insurance and re-insurance. Apart from maritime transport and freight, these items are one of the major branches of international trade in invisibles. They were the object of an important recommendation at the first session of the United Nations Conference on Trade and Development, mainly concerned with the measures needed to strengthen national and regional markets for insurance and reinsurance in the developing countries. The UNCTAD secretariat accordingly planned to undertake a series of studies on the subject. These included a general study on the development and strengthening of the national and regional markets and institutions for insurance and reinsurance in the developing countries, with particular reference to Latin America. The ECLA secretariat has prepared a detailed outline for this study, which is being carried out by a Chilean insurance expert contracted by UNCTAD and is scheduled for completion in mid-1966. It will comprise: (i) an analysis of the present development of the institutional, regional and national insurance and reinsurance structures in the countries of the region, and of international transactions in insurance and reinsurance, in particular, their incidence on the balance of payments; (ii) an analysis of problems and measures of economic policy in the countries of the region in connexion with the strengthening of insurance and reinsurance markets, as well as legal problems of insurance; and (iii) in particular, an analysis of the objectives of the UNCTAD recommendation on insurance and reinsurance and the measures which should be adopted by the Latin American countries for achieving them. Apart from this regional survey, UNCTAD is planning a study on the national market for insurance and reinsurance in Brazil. These studies will undoubtedly provide Governments in the region with valuable guide-lines for determining the measures to be taken to strengthen these activities. This problem also has an important bearing on regional economic integration, as witnessed by the fact that ALALC has convened a meeting on insurance and reinsurance problems in the Free-Trade Area for May 1966.

/MEXICO OFFICE

## MEXICO OFFICE

The resources of the Mexico Office were concentrated to a large extent on the activities connected with the Central American economic integration programme, and described in Section A of this report. Nevertheless, several other projects were undertaken or completed during the course of the year.

One of the most important was the study of the economic development of Nicaragua (E/CN.12/742). This forms Volume IX in the series entitled Analyses and projections of economic development, and completes the studies on the Central American economies that have been carried out directly by the secretariat or by authorities in the countries concerned with the advice and assistance of ECLA.

Preliminary drafts were completed for submission to the Government of Panama, of the studies relating to the foreseeable effects on Panama's economy of the construction of a new inter-oceanic canal at sea level. These studies, in which both ECLA and the Latin American Institute for Economic and Social Planning have co-operated, have led to requests for assistance from the United Nations Development Programme. Several aspects of the country's economy have been examined, together with past and present trends and the possible effects of the new conditions that would be created by the heavy investment involved in the building of a new canal, the channelling of labour forces towards the area where it might be built, the reduction in the activities of the existing canal, and the impact of changes in the Free Zone, etc.

Activities were also intense in relation to industry. Direct assistance was given to Governments, in the area covered by the Mexico Office, in the preparation of the country surveys for the Latin American Symposium on Industrial Development. In addition, material was collected for countries in the northern area for the secretariat's studies on petroleum, aluminium, chemicals and textiles.

Apart from servicing the numerous meetings connected with the Central American economic integration programme, staff of the Mexico Office participated in a number of other meetings and seminars, including the Working Group on National Accounts and the Latin American Symposium on Industrial Development.

/Statistical data

Statistical data and other information were collected in the countries covered by the Mexico Office for the 1965 Economic Survey of Latin America and for the Statistical Bulletin.

The Fifth Intensive Training Course for Mexico took place from 5 April to 6 August 1965. The Mexico Office helped the Latin American Institute for Economic and Social Planning with the organizational arrangements, and provided the Executive Secretary for the course.

#### JOINT ECLA/BNDE CENTRE FOR ECONOMIC DEVELOPMENT

On 30 June 1965 the Joint ECLA/BNDE Centre for Economic Development completed five years of activity. To mark the occasion, a brief report was published on the work carried out during those five years.

Apart from the regular training activities, the main project undertaken since the Commission's eleventh session has been an analysis of the experience of the main federal organizations dealing with regional planning in Brazil; this in turn provided the basic material for the Seminar on Planning at the State Level which the Centre organized in July, and which was followed by an analytical review of the material presented on that occasion.

#### Research programme

It became clear, immediately after the above-mentioned Seminar, that, in addition to preparing the usual report, it was necessary to review, analyse and interpret the material presented at it, since the Seminar represented an initial and immense effort to explore the nature and potentialities of planning at the State level. Consequently, towards the end of 1965, a study entitled State Planning in Brazil was prepared and completed with the assistance of the Regional Studies Division of the National Economic Development Bank (BNDE). The study begins with a theoretical and conceptual analysis of the motivations, conditions and nature of planning activities when subjected to the contingencies arising at the State level. This is followed by a review of the institutions and practices which have led the States to adopt planning methods. Specific attention has been paid to aspects of public financing, to mechanisms for

/directing or

directing or encouraging private activities and to the experience acquired in performance budgeting. The facts set forth in this chapter are based on specialized documents prepared by different experts, as well as material collected at the Seminar and research on certain aspects. Finally, the study describes, both by States and by regions, the main features of early efforts at State planning. The account is based on the documents presented by various delegations, on replies to basic questionnaires, and on a brief review of the plans themselves and other official documents of the State administrations.

Other research activities during the period covered by this report have included the preparation and revision of papers on the main federal organizations for regional planning in Brazil, i.e. the Superintendencia do Desenvolvimento do Nordeste (SUDENE); the Comissão do Vale do São Francisco (CVSF) and the Superintendencia do Plano de Valorização Econômica da Amazonia (SPVEA). These were presented at the Seminar and subsequently revised in the light of the discussions there. They cover the political and constitutional origins of the organizations, and the bases for their development policies and plans, followed by descriptions of the programmes carried out in the respective regions, with particular reference to industrialization, the expansion of food supplies, pre-investment and efforts to combat general crises. The assistance given to these organizations from abroad has also been reviewed, together with their functions as planning instruments.

Research has continued on the development of Brazil's infrastructure since the Second World War, and material is being gathered for another project to examine the conditions that prevailed during the coffee expansion which laid the foundations for the industrial development of the São Paulo area.

#### Training programme

During 1965, three intensive training courses were organized by the Centre with the collaboration of the Latin American Institute for Economic and Social Planning, BTAO, ECLA, BNDE, and the local authorities. They were:

/XIV Course -

XIV Course - northern region - Belém, Pará, from 15 February to 5 June  
Local sponsor: Banco de Crédito da Amazonia

There were twenty-nine participants in this course from the States of Amazonas, Pará and Maranhão. The final results were not up to standard, only fifteen persons obtaining passes.

XV Course - southern region - Florianópolis, Santa Catarina, 15 March to 3 July  
Local sponsor: State Government, through its Planning Department

This course, with thirty-seven participants, was one of the best held in the southern region. There were twenty-nine passes, twelve of them with "distinction".

XVI Course - north-east region - Recife, Pernambuco, 24 May to 18 September  
Local sponsor: SUDENE

Fifty-four technicians from SUDENE, the Bank of north-eastern Brazil and the Development Councils of all the States in the region participated in the course. There were forty-one passes, twelve of them with "distinction".

Because of the difficulties experienced during the year in finding experts on regional programming, the subject was dealt with in the course on development programming. Similarly, the course entitled Introduction to Public Sector Programming included lectures on budget programming.

The Centre also collaborated in courses organized by other institutions, such as those on educational and agricultural programming organized by SUDENE, the course on coffee economy organized by the Brazilian Coffee Institute and the course given by the Ministry of Foreign Affairs at the Rio Branco Institute.

#### WASHINGTON OFFICE

During 1965 the Washington Office continued to deal with requests for material from ECLA - mainly for the Economic Survey - and the Institute, as well as from United Nations Headquarters and UNCTAD, in particular.

/This Office

This Office provides information on the Commission's work in response to numerous enquiries from both governmental and private organizations. In addition, its staff have represented the secretariat at several meetings, including the monthly meetings convened by FAO's Consultative Sub-Committee on Agricultural Surpluses, by the Inter-American Committee for Agricultural Development (CIDA), and by the ICAP Sub-Committee appointed to review the economic situation in the different Latin American countries.

Special meetings took place in August and September of the ECLA/OAS/IDB Ad Hoc Committee on Co-operation, to discuss the work of the mission sent by the Committee to the Dominican Republic. The Executive Secretary of ECLA attended the second of these, and staff of the Washington Office participated in both.

#### TECHNICAL ASSISTANCE ACTIVITIES

The secretariat's administrative, operational and substantive responsibilities for the implementation of regional technical assistance projects have continued to expand. More than fifty regional advisers are working in the region, of whom about half are under the substantive responsibility of ECLA headquarters at Santiago, while the rest are under ECLA's Mexico Office. The areas of work covered by them include economic development programming (with specialists on the budget, external sector, public investment, and global programming); social affairs (programming and financing of housing, demography, community development, social changes); industry (industrial programming, pulp and paper, textiles, technological research, chemicals and metal-transforming); trade policy; natural resources and energy (electrical engineering and power development, hydrometeorology, hydroelectricity, sanitary engineering and multipurpose water development); transport (highway development, transport economy, maritime transport); statistics (economic, vital and sampling); and public administration.

/The Central

The Central American Advanced School of Public Administration (ESAPAC) has been provided with technical assistance advisers since its inception, and has had the constant support of the ECLA secretariat. During 1965, two public administration advisers have been attached to ECLA headquarters, and in this way a small nucleus for work on public administration has been formed. The two advisers have already undertaken missions to several countries in the region that had requested assistance.

In addition to the advisers provided by the United Nations technical assistance programme, others have been supplied by different specialized agencies of the United Nations (notably WHO and WHO/PASB) and other organizations, such as OAS and IDB.

Wherever possible, advisory services provided to Governments by regional technical assistance advisers are based on the findings of the different ECLA secretariat studies on a given subject, or from part of the follow-up required by such studies. This is particularly true in the case of industry, social affairs, trade policy, natural resources and energy, transport and statistics.

An important part of the work in the field of technical assistance has been the maintenance of liaison with the resident representatives of the United Nations Development Programme, with a view to keeping them in touch with developments in the secretariat's work. In this respect, and as on previous occasions, the ECLA secretariat again participated at the end of 1965 and beginning of 1966 in the programming exercise for the 1967-68 biennium. In this connexion, senior ECLA officials visited several countries of the region where they co-operated with the UNDP resident representatives and the national authorities in the different countries in the preparation of their technical assistance country programmes for 1967 and 1968.

ECLA's Technical Assistance Co-ordinating Unit, in consultation with the different substantive divisions and with staff at Headquarters, has also begun to prepare the regional technical assistance programme for 1967-68.

/Pursuant to



Pursuant to Economic and Social Council resolution 1042 (LXXVII), in 1965 ECLA authorized the Director of its Social Affairs Division to participate in a technical assistance evaluation mission in Chile organized as a pilot project by the United Nations Department of Economic and Social Affairs. The purpose of the pilot project was to ascertain the over-all impact and effectiveness of the combined programmes of the United Nations family.

During 1965 two meetings took place within the technical assistance programme, dealing respectively with national accounts and with trade and development policies. Advance preparations were made for projects to be implemented in 1966, namely, housing programming and trade policy courses and seminars on industrial statistics, petroleum and small-scale industry.

The secretariat was represented at the regional meeting of resident representatives of the United Nations Development Programme (formerly Technical Assistance Board and Special Fund Programmes) held at Mexico City in April 1965. At that meeting, detailed discussions took place on the operation of technical assistance programmes in Latin America, on the Special Fund programme in each country and on agencies with major programmes in Latin America.

The substantive units of the ECLA secretariat have reviewed and commented on progress and final reports submitted by United Nations technical assistance experts in charge of specific projects within the country programmes of the Latin American region.

#### SPECIAL FUND

During 1965 and early 1966, the secretariat assisted in the preparation of two regional projects which are particularly important for United Nations work in Latin America.

The first aims at enabling the Latin American Institute for Economic and Social Planning to expand its advisory services so as to make them commensurate with its training and research activities. This project, presented by twelve Governments, was approved by the Governing Council

/of the

of the United Nations Development Programme/Special Fund at its January 1966 meeting, which earmarked 761,200 dollars for the purpose.

It is expected that the Government's contribution will be equivalent to 130,000 dollars, which brings the total cost of the project up to 891,200 dollars in two years. The United Nations Development Programme will provide 28 man-years of expert services in various fields and the contribution of the participating Governments will cover the costs of staff travel, office space, printing of reports and miscellaneous expenditures.

The second project concerns assistance to the Latin American Demographic Centre (CELADE) for expanding its training, research and advisory services on demographic problems in Latin America. At the same meeting, the Governing Council of the UNDP/SF also approved this project, which was presented by ten Governments, and to which it allocated 1,986,500 dollars. The expected counterpart contribution from the Governments of the region is equivalent to 348,000 dollars, which makes the total cost of the project 2,334,500 dollars for five years. To implement the project, the United Nations Development Programme will provide 75 man-years of expert services; 25 man-years of fellowships; and equipment, including office furniture, books, teaching materials and a certain sum for miscellaneous expenditures. The Governments's counterpart contribution will cover buildings and facilities, counterpart personnel, field staff and ancillary services. At the end of the five-year period, the participating Governments will assume full responsibility for maintaining the Centre at the appropriate level.

The ECLA secretariat has continued to review and comment on Special Fund projects when requested to do so by the United Nations Development Programme, when appropriate.

/UNITED NATIONS

## UNITED NATIONS HEADQUARTERS AND REGIONAL ECONOMIC COMMISSIONS

The secretariat continued to work closely with the United Nations Department of Economic and Social Affairs in carrying out its programme. In this respect, the co-operation of the Regional Commissions Section has been especially helpful. Particularly close contacts have been maintained with the Centre for Industrial Development throughout the preparations for the Latin American Symposium on Industrial Development; the UNCTAD secretariat; the Centre for Development Planning, Projections and Policies; the Bureau of Social Affairs; and the Statistical Office. Details of this co-operation have been given in earlier sections.

Material on ECLA has been supplied for inclusion in consolidated reports to be presented to the Economic and Social Council in compliance with directives concerning the Development Decade and the resources allocated for programmes in the economic, social and human rights fields; moreover, specialized documents have been prepared for a number of conferences, including the World Population Conference, and several inter-regional seminars, in which ECLA staff have also participated.

Regular consultations took place with UNICEF in the course of the preparations for the Conference on Children and Youth in National Development, held at ECLA headquarters in December and sponsored jointly by UNICEF, ECLA and the Latin America Institute for Economic and Social Planning.

Liaison with the other regional economic commissions has been maintained through the periodic meetings of Executive Secretaries. Whenever requested, the ECLA secretariat has provided material and reports for meetings organized by the other commissions, or has commented on specialized problems within its field of competence.

/c. RELATIONS

### C. RELATIONS WITH SPECIALIZED AGENCIES AND OTHER ORGANIZATIONS

During the year, the secretariat has participated in meetings and seminars organized by various specialized agencies. These agencies, in turn, have continued to support the work of the Commission and of the Latin American Institute for Economic and Social Planning. Since the latter's activities are covered in the reports published by the Institute, the present section deals only with the co-ordination or joint activities undertaken in relation to the work of the Commission.

#### Specialized agencies

The contribution of specialized agencies, in particular, the ILO, FAO, UNESCO and WHO/PAHO, to the work of the Central American economic integration programme has continued to provide the expert technical support required during the present stages of the programme.

Contacts with the ILO have been particularly important in connexion with the training course on economic development problems, organized for trade union leaders in April 1966 by ECLA, the ILO and the Latin American Institute for Economic and Social Planning. Furthermore, co-operation has been given in the research work undertaken in preparation for the Conference of Ministers of Education and Ministers in charge of Economic Planning, and has continued to be extended to the ILO Inter-American Vocational Training, Research and Documentation Centre (CINTERFOR).

In addition to the activities of the Joint ECLA/FAO Agriculture Division, the ECLA secretariat participated in a working group on the financing of integrated agrarian reform, convened by FAO at Santiago, Chile, from 30 August to 4 September. Other participants included representatives of IDB, IBRD and ICAP, and the main recommendation of the meeting was that an extensive study be undertaken on the problems of financing land reform in Latin America. Subsequently, the secretariat has determined in consultation with FAO, the ways in which it can contribute to this study, which is scheduled for completion in 1967.

/Apart from

Apart from co-operating with UNESCO in the organization of the Conference on the Application of Science and Technology to the Development of Latin America, ECLA has agreed to co-sponsor the Conference of Ministers of Education and Ministers in charge of Economic Planning in Latin America and the Caribbean region. This Conference will take place in Buenos Aires from 20 to 30 June 1966. The secretariat had also offered its premises for the seminar on investment in higher education, which was scheduled to take place in April 1966 but subsequently postponed. An ECLA observer was sent to UNESCO's meeting of experts on higher education and development in Latin America, held at San José, Costa Rica, from 15 to 24 March 1966.

The World Meteorological Organization (WMO) has continued to second a hydrometeorologist to the Water Resources Survey Group.

The World Health Organization (WHO/PAHO) has continued to provide two experts to work with the Water Resources Survey Group and on housing problems.

#### OAS/IIDB/ECLA Ad Hoc Committee on Co-operation

The activities of the Committee have mainly dealt with the organization of the Tripartite Advisory Groups. It will be recalled that, by agreement between the three bodies concerned, the Latin American Institute for Economic and Social Planning acts as the supervisory agency in substantive matters relating to the work of these groups. Special meeting of the Committee took place in August and September, to discuss the work of the mission sent to the Dominican Republic. The Executive Secretary attended the second of these.

#### Inter-American Committee for Agricultural Development (CIDA)

ECLA's Washington Office is responsible for routine contacts with CIDA, while the Executive Secretary attends the meetings of the Comité de Titulares. The last of these was scheduled to take place in Mexico in April in order to take advantage of the meeting of Governors of IDB. The secretariat contributes the services of one full-time staff member to the work of CIDA, and during the past year he has been engaged on studies of land reform in Latin America.

/Organization of

Organization of American States (OAS)

The Executive Secretary and his Deputy participated in the OAS Meeting of Foreign Ministers, held at Rio de Janeiro in November 1965. They also took part, with other secretariat staff, in the fourth annual meetings of the Inter-American Economic and Social Council, at the expert level (Buenos Aires, 15 to 23 March 1965) and at the Ministerial level (Buenos Aires, 25 March to 1 April 1966).

The ECLA secretariat participated in several other meetings organized by OAS and its subsidiaries, including the second meeting of a group of experts for facilitating water transport (Lima, 20 to 24 April 1965), followed by the fifth meeting of the Technical Permanent Committee on Ports (Lima, 26 to 30 April); the XVI Meeting of the Directing Council of the Pan American Health Organization (Washington, 27 September to 8 October 1965) and the fifth Pan American Congress of Social Service (Lima, 14 to 20 October 1965).

Apart from these activities, the secretariat has co-operated with the Inter-American Committee on the Alliance for Progress (ICAP), and took an active role in two meetings organized by ICAP. The first was a Working Group on Fertilizers, held at Washington from 31 May to 3 June 1965. It was convened by ICAP in compliance with a recommendation made at the ECLA/BTAO Seminar on the Development of the Chemical Industry in Latin America, and was attended by representatives of ECLA, the Institute, FAO, ALALC, AID, IFC, IDB, the IBRD and CIDA. The second was an inter-agency meeting on housing, held at Washington on 22 and 23 June, and attended by representatives of AID, IDB, PAHO, the United Nations, ECLA and OAS.

Furthermore, staff of ECLA's Washington Office continued to attend the regular ICAP committees and working groups.

Inter-American Development Bank (IDB)

IDB has continued to contribute to the Joint ECLA/Institute/IDB Programme for the Integration of Industrial Development and to the studies on agricultural inputs undertaken by the Joint ECLA/FAO Agriculture Division. It also took an active part in the meeting of Latin American Government

/Experts on

Experts on Economic Integration, held at ECLA Headquarters from 24 September to 4 October. One of the papers presented on that occasion was prepared by a special group of experts under the chairmanship of the President of the Bank.

During August, the ECLA secretariat participated in the Meeting on co-ordination in the field of industrial integration, convened by IDB in Buenos Aires from 24 to 28 August, and combined with the inauguration ceremonies for the IDB Integration Institute. Subsequently, ECLA staff have been assigned to lecture on different occasions at that Institute.

#### Inter-governmental organizations

ECLA has continued to work closely with the secretaries of the Montevideo Treaty (ALALC) and the General Treaty on Central American Economic Integration (SIECA), as well as with the other Central American organs, including the Central American Economic Council and the Central American Bank for Economic Integration (BCIE). Prior to the Meeting of Latin American Government Experts on Economic Integration, convened by ECLA in September, consultations took place with both the ALALC and SIECA secretariats, which subsequently took an active part during the meeting. Later ECLA, in its role of adviser to ALALC, drew up a list of suggestions to be considered by the ALALC Standing Executive Committee prior to the meeting of ALALC Ministers for Foreign Affairs in November 1965. Similarly, the ECLA secretariat played an active role in the meeting between the Executive Council of SIECA and national planning organizations and development institutions, which took place before the ninth session of the Central American Economic Co-operation Committee.

In addition to these activities, the secretariat attended several technical meetings organized by ALALC.

#### Non-governmental organizations

As in the past, the secretariat has maintained contact with several non-governmental organizations that have consultative status with the Economic and Social Council and with others working in Latin America.

/The secretariat

The secretariat participated in the Third General Assembly and Fourth Special Session of the Latin American Association of Shipowners (ALAMAR), held at Asunción, Paraguay, from 27 September to 2 October 1965, and attended the September meeting setting up the Latin American Railways Association (ALAF).

Contacts have been maintained with the regional trade union organizations, particularly in connexion with the preparations for the first training course on economic development planning for trade union leaders, organized by ECLA, the ILO and the Latin American Institute for Economic and Social Planning, in Santiago, Chile, from 4 April to 14 May 1966.