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Tenth Session

Mar del Plata, Argentina, 6 to 18 May 1963

SUMMARY RECORD OF THE NINETY-FIRST MEETING

Held at Mar del Plata, Argentina
on Wednesday, 8 May 1963, at 4 p.m.

CONTENTS:

- The present status of the Latin American economy
(continued)

PRESENT:

Chairman:

Mr. MENDEZ DELFINO (Argentina)

Members:

Mr. PARELLADA Argentina

Mr. GANDARILLAS Bolivia

Mr. TAVORA DOS SANTOS Brazil

Mr. SUMMERS Canada

Mr. ESCOBAR Chile

Mr. NARVAEZ Colombia

Mr. GARCIA VALLS Cuba

Mr. CESTERO Dominican Republic

Mr. AROSEMENA Ecuador

Mr. PEÑA El Salvador

Mr. LISETTE France

Mr. PALACIOS Guatemala

Mr. CALIX Honduras

Mr. BROWN Jamaica

Mr. ZUIVERLOON Kingdom of the Netherlands

Mr. GARCIA REYNOSO Mexico

Mr. GAITAN Nicaragua

Mr. SANABRIA Paraguay

Mr. VALDIVIA Peru

Mr. TAYLOR United Kingdom of Great
Britain and Northern Ireland

Mr. BINGHAM United States of America

Mr. PITTALUGA Uruguay

Mr. PEREZ LA SALVIA Venezuela

ALSO PRESENT:

Mr. HANSEN Chairman of The Preparatory
Committee of the United
Nations Conference on
Trade and Development

/Observers from

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

Mr. DAN	Australia
Mr. HOFINGER	Austria
Mr. PRUES	Belgium
Mr. SPAS	Bulgaria
Mr. PIROCH	Czechoslovakia
Mr. KEPES	Hungary
Mr. TOPPANI	Italy
Mr. TANI	Japan
Mr. ROMMEL	Poland
Mr. RUICA	Romania
Mr. BASSOLS	Spain
Mr. MARTENSON	Sweden
Mr. ALEXEEV	Union of Soviet Socialist Republics
Mr. LATINOVIC	Yugoslavia

Observers from States not
members of the United Nations:

Mr. MEWES	Federal Republic of Germany
Mr. GRAF	Switzerland

Representatives of
specialized agencies:

Mr. RUIZ MORENO	International Labour Organization
Mr. Hernán SANTA CRUZ	Food and Agriculture Organization of the United Nations
Mr. DE SILVA	United Nations Educational, Scientific and Cultural Organization
Mr. BRAND	International Monetary Fund
Dr. BUDNIK	World Health Organization

/Representatives of

Representatives of Inter-
Governmental Organizations:

Miss DELHAYE	European Economic Community
Mr. ETIENNE	General Agreement on Tariffs and Trade
Mr. LAGO	Inter-Governmental Committee for European Migration
Mr. CARDENAS	Inter-American Develop- ment Bank
Mr. SOLA	Latin American Free- Trade Association
Mr. MAGAÑA	Organization of American States
Mr. BENNATON	Permanent Secretariat of the General Treaty on Central American Economic Integration

Secretariat:

Mr. PREBISCH	Executive Secretary of the Commission
Mr. MAYOBRE	Commissioner for Industrial Development
Mr. Alfonso SANTA CRUZ	Deputy Executive Secretary of the Commission
Mr. HEURTEMATTE	Deputy Managing Director of the Special Fund
Mr. LARA	Deputy Director-General of the Latin American Institute for Economic and Social Planning
Mr. VALDES	Secretary of the Commission

/Mr. VALDES

Mr. VALDES (Secretary of the Commission) read out a message received from the President of the National Federation of Brazilian Industries conveying the best wishes of his organization for the success of the tenth session and emphasizing the importance of the forthcoming discussion of ECLA's participation in the United Nations Conference on Trade and Development.

THE PRESENT STATUS OF THE LATIN AMERICAN ECONOMY (continued)

Mr. ZUIVERLOON (Kingdom of the Netherlands) said that his delegation included representatives from the Netherlands, from Surinam and from the Netherlands Antilles.

Prefacing his remarks with the comment that although the documents before the Commission were excellent, they had not been received in translation in time to permit careful study, he referred with admiration to Mr. Prebisch's statement at the 87th meeting, and to document E/CN.12/680, but added that his delegation did not agree with every one of Mr. Prebisch's arguments. He would go into that question more fully later, when his delegation would speak on behalf of the European Economic Community on trade relations between Latin America and the Community. He expressed his regret that Mr. Prebisch was leaving ECLA, but welcomed the appointment of Mr. Mayobre, as his successor.

The Kingdom of the Netherlands was anxious to strengthen its economic and social ties with the Latin American countries. As far as Surinam was concerned, the main export was bauxite; the smallness of the local market precluded the development of large industries for domestic consumption, and Surinam's large industries therefore produced for export. Another problem was that transport rates were high because of the country's geographical position. The Government had drawn up a ten-year plan after the last war, with three main aims, to provide the means of attaining greater economic independence, to lay the foundations for further development on the basis of domestic resources, and to raise the standard of living of the poorest levels of the population. Although the plan had begun on lines of sectoral planning, it had soon been realized that only over-all planning would make possible the desired growth rate. Professor Jan Timbergen had provided valuable advice in the analysis of the

capital-output ratio in general and the various sectors in particular. The resulting new integrated plan placed special emphasis on labour-absorbing activities. At a later stage a regional development programme would be included in the revised plan. He referred to the project "Operation Grasshopper", aiming at a speedy country-wide inventory of natural resources with special emphasis on mineral deposits. In 1959 an aerial geophysical survey of the country had been completed, and in 1961 a detailed aerial magnetic survey was begun, partly financed by the United Nations Special Fund. The first results of the whole project indicated large deposits of high quality bauxite ore, iron ore and other minerals. The main agricultural crops were rice, sugar cane, citrus fruits, banana and coffee, all produced by labour-intensive methods, apart from some mechanized rice production. Apart from the plywood and particle board industry, which produced for export, and the manufacture of sugar, small-scale industry was the rule, and most of the country's timber products were consumed locally. Surinam had undertaken a vast development effort but had nevertheless succeeded in preventing inflation.

Turning to the Netherlands Antilles, he said that the principal islands of Curaçao and Aruba had a stable economy, long based on petroleum-refining and the mining of phosphates; in addition a considerable tourist trade had been developed in recent years. The country as a whole had few natural resources, but it was conscious of the need to diversify the economy, and had created a healthy investment climate for potential industrial development. Legislation for that purpose had already been enacted, and there was a long-term development plan directed to the expansion of the tourist trade and the establishment of new industries to provide employment for both skilled and unskilled labour. In this the co-operation of all the members of ECLA could be of vital importance.

He concluded by expressing his delegation's appreciation of the cordial hospitality provided by the Argentine Government.

Mr. GARCIA VALLS (Cuba), after paying a tribute to the retiring Executive Secretary and wishing the new Executive Secretary success in his work, said that when the Cuban Revolution came to power in 1959 the

economic and social conditions it had encountered included the depletion of reserves of freely convertible foreign currencies; orientation of foreign trade, both imports and exports, towards a single market; concentration of agriculture in a single crop - sugar cane - and under-utilization of the land with concentration of ownership; under-development of industry and orientation towards light industry dependent on supplies from abroad; mass unemployment and under-employment; a high and rising illiteracy rate and poor school attendance; and deplorable public health facilities, especially in the country areas.

The new Government had at first taken certain emergency steps: foreign currency control; reduction of urban rents, electricity and telephone rates, and some taxes; increased wages for the lowest paid workers in building and agriculture; and new employment opportunities in building and industry. In order to correct the distressing conditions in which Cuba's rural population had been living, the Revolutionary Government had promulgated the Agrarian Reform Act, creating State farms on more than 3.5 million hectares of land for approximately 250,000 farm workers, and transferring to more than 100,000 sharecroppers and tenant farmers the ownership of the land they had been working - approximately 2.7 million hectares. The result of the agrarian reform had been a sharp rise in the incomes and living standards of the rural workers concerned.

At the same time, the Revolutionary Government had poured huge sums into investments for education and public health, doubling and even tripling the budgetary allocations for school construction and maintenance, teachers' salaries, and vocational training. In one year, 707,212 illiterate adults had been taught to read and write. Between 1958 and 1962, the number of hospitals had risen from 87 to 144, and the number of hospital beds from 10,800 to 29,200. The number of premature births had fallen from 10 to 7 per cent and the death rate of premature babies from 70 to 25 per cent. Vaccination campaigns, previously unknown in Cuba; had resulted in 1962 in the protection of 127,200 persons from diphtheria, 587,000 from typhoid fever, 191,200 from tetanus and 2,219,900 from poliomyelitis. Between the years in question, current expenditure on public health had risen from 29.2 million to 72.9 million pesos.

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It was interesting to study how the measures taken by the Government had given rise to new difficulties and how the Revolution had been compelled to master them by progressive socialization of the economy. The agrarian reform had been met with obstinate resistance by United States monopolies and Cuban capitalists, who had encouraged total or partial restrictions on deliveries from abroad of indispensable spare parts for industry, transport and agricultural and building machinery, raw materials for industry and agriculture, of certain foodstuffs including fats and grains, and of new machinery for industry, agriculture and building. At the same time, the market for Cuba's traditional exports had been similarly restricted. The monopoly interests had also had recourse to sabotage, which had to some extent affected the efficiency of the economy, and sabotage was continuing.

The boycott of Cuba's foreign trade had been met by a reorientation towards countries which were prepared to trade with Cuba, and in that process commercial relations with the socialist world had become particularly important. The continuation of production had been ensured by the socialization - accompanied of course by planning - of the basic branches of industry, transport communications, commerce and foreign and domestic banks. The preliminary figures for 1962 showed a 39.3 per cent rise over the 1958 level in gross industrial output, exclusive of the sugar industry, achieved mainly by increased utilization of installed capacity.

However, it had to be said that not everything had been successful in the Cuban Revolution's administration of the economy. Agriculture had been hard hit by two years of the worst drought in fifty years, with serious results for sugar production, food, supply and the incipient industry based on industrial crops. The drought at a time when the money income of the population had been rising sharply had been responsible for the present state of the Cuban economy, which was characterized by an internal financial imbalance, a relative scarcity of consumer goods and strong pressures on the country's balance of payments.

Apart from the drought, there had been other adverse factors, some of them inherent in the dynamics of the development process and others resulting from mistakes and inexperience. The very expansion of industrial

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output other than sugar, at a time when earnings from sugar exports had declined, had had a very strong negative effect on the balance of payments since the revolution had inherited an industry more or less limited to the production of consumer goods and lacking domestic sources of supplies and equipment. The phenomenon was inevitable in underdeveloped countries so long as it was not adequately counterbalanced by the creation of basic industries designed to support the existing light industries. As to the internal financial imbalance between the money income of the population available for consumption and the volume of goods on the market, it had not given rise to an inflationary spiral owing to the firm policy of the Government against speculation. Thus, whereas in 1962 the wage index had stood at 157.4 as compared to the base of 100 in 1953, the cost of living in general had been 103.5 and that of food only 109.

The adverse factors resulting from defects in planning, management and supervision of the economy had been under-estimation of the importance of sugar as the main prop of the country's economy, combined with a somewhat mechanical approach to the diversification of agriculture, including a lack of interest in replanting sugar cane after harvesting and cultivating existing canefields, as well as uneconomical dismantling of some plantations; such undesirable by-products of a rising level of living for the rural population as the increased volume of public service facilities and the migration of a part of the labour force from the canefields to other agricultural sectors and of another part to the building sector owing to differences in wage-levels. There had also been defects in the machinery for collection, prices, credits and supplies with respect to small and medium farmers and shortcomings in planning and carrying out productive investments.

Those were the main weaknesses in the process of economic development which the Cuban Revolutionary Government, through its delegation, was candidly reporting to ECLA at its present session. It was expected that those weaknesses and problems would be overcome or would be well on the way to a solution by the end of 1965.

The five-year period between 1965 and 1970 would open new avenues. In view of its decisive importance as a source of foreign exchange, there would be a massive replanting of the canefields, and sugar production would be expanded until 1967, after which the main effort would be directed towards reducing the cost of production by mechanization and other means. Another sphere of expansion would be that of livestock and poultry with the promotion of the grain crops, including maize and millet, needed to support that effort, and the development of the necessary pasture land through the planting of grasses such as pangola, which were particularly suited to Cuban conditions.

A third effort would be directed towards the introduction of oleaginous crops with a view to meeting the great demand in Cuba for edible fats and supplementing the food supply of livestock with oil-cake. However, there were serious technical problems to be overcome in that connexion before the project could be pursued on a major scale. Fourthly, the production of tropical fruits would be expanded, primarily for export to the socialist countries, provided that a satisfactory solution could be found for the problem of rural labour supply. Fifthly, it was planned to expand fibre production. No problem existed with respect to hemp, but cotton would require considerable mechanization of harvesting in view of the labour shortage. As to fishing, recent experience indicated many possibilities but in that sphere the approach would be cautious pending further studies.

With respect to major industries the main lines of development in 1965-1970 would be sugar by-products and derivatives, steel, nickel and related products, and chemical and pharmaceutical products obtained through fermentation processes. In addition, there would be an expansion of industries to meet certain immediate needs, such as an engineering industry capable of supplying spare parts for machinery of United States origin; agricultural machinery and equipment suited to Cuban conditions; pesticides and fertilizers; certain products, such as caustic soda, needed by a large number of industries; and vessels for coastal shipping.

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On behalf of the Revolutionary Government of Cuba, his delegation wished to state that where problems inherited from the past had been solved and errors overcome, it had been made possible by the Revolutionary Government's zeal for integral programming or planning of the economy, the very principles promoted by the Economic Commission for Latin America. What was more, his delegation believed that the link between economic planning and subsequent implementations could be ensured only when the most important means of production were at the disposal of the whole society. From its own experience, and not from textbooks, Cuba had learned that the fact that in a capitalist society the great majority of economic decisions were taken incoherently by separate entrepreneurs inevitably made the most perfect of plans meaningless as soon as they were handed over by the planners to those responsible for their implementation.

Mr. AROSEMENA (Ecuador) said that despite all the efforts that had been made during the previous fifteen years, the problems being discussed at the present session were still largely the same. One of the difficulties was the lack of reliable statistics on which to base plans. Another was that countries at an early stage of development could not provide the entrepreneurial, administrative and technical skills for carrying out a wide range of projects, although any plan remained only academic until it materialized in the form of specific projects. One of the main priorities must be the training of the manpower required for the development effort; although much was already being done by the Latin American Institute for Economic and Social Planning, the Inter-American Development Bank and the International Bank for Reconstruction and Development.

Another important point was the need to take account of political factors in development plans. That meant that caution must be exercised, and consequently progress might have to be gradual. Another problem was the need, in view of the population explosion, to find competitive productive activities that would use the minimum of scarce capital and the maximum of the abundant labour supply available. Special research on that subject was required. ALALC was attended by another set of

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problems; the basic aim was to achieve a high level of industrialization in the Free-Trade Area, but that involved far-reaching changes in the various economic sectors, and in addition difficulties were posed by the great size of modern production units, the large investment required, and the complexity of modern technology. Moreover there were wide differences between the member countries in the degree of industrialization already attained. There were not enough systematic studies on the sort of problems to which such an association as ALALC was bound to give rise. The representative of Mexico, for example, had suggested a period of only five years for the total abolition of customs duties among the member countries, whereas Ecuador considered that even the period of ten years originally provided for in the Montevideo Treaty would be too short for the relatively less-developed countries, which might in effect be twenty years behind the more developed countries. The latter could not be asked to achieve, in five or ten years, what they had been unable to do in 150 years of independent existence.

Consequently he hoped that ECLA could undertake studies on those obstacles, and put forward possible solutions. Until joint policies were delineated, and possible arrangements between the various countries formulated, it was difficult for some countries to take full account of ALALC in drawing up their plans. He concluded by paying a tribute to the work of Mr. Prebisch, and welcomed Mr. Mayobre as his successor.

Mr. PEÑA (El Salvador) paid a tribute to Mr. Prebisch and also to the international bodies whose co-operation had helped to make it possible for El Salvador and the other countries of Central America to achieve the aims of economic and social betterment. He stressed the link between economic and social problems, and declared that there could be no satisfactory solution unless deficiencies in purchasing power, education, health and technical training were remedied.

Despite the magnificent work of ECLA and other international bodies, little practical results had been achieved. That was due inter alia to the attitude of the entrepreneur who opposed reforms for selfish motives,

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the absence of government action, and the lack of initiative on the part of the entrepreneur in finding new scope for production, improving existing production methods or finding new ways of marketing his products.

In recent years El Salvador had realized the importance of reforms and had participated in the economic integration of Central America, bearing in mind the object of improving the living standard of the peoples rather than providing a bigger market for the entrepreneur. The most recent step forward, the declaration made by the Central American countries at San José, Costa Rica, embodied an undertaking by the Governments to the peoples to implement simultaneously, in all the countries, such reforms as were necessary in agriculture, taxation, education, social conditions and public administration.

Any proposal for economic or trade links with other countries or groups of countries would have to be examined very carefully in the light of the economic integration of Central America.

The work of ECLA and other international bodies would, he felt sure, continue to produce welcome results. Any study or recommendation which was in the interests of betterment would be accepted and implemented. He supported Mr. Prebisch's position that ECLA should prepare itself suitably for the forthcoming United Nations Conference on Trade and Development.

Mr. VALDIVIA (Peru) said that the Peruvian economy had continued to expand and that satisfactory gains had been made in all sectors with the exception of agriculture, which continued to be chronically depressed and thus to deprive 53 per cent of the population of a decent standard of living. Progress had been made notably in the expansion of exports; the balance of payments situation continued to be favourable; and public investment had shown a marked increase. Price indices had remained stable, reflecting the soundness of currency and credit policies.

The increase in exports of fish products had been the most significant aspect of the general expansion of exports. The trend in imports had been towards the purchase of capital equipment, raw materials, fuel and lubricants. Industrialization had continued at the same rate

in 1962 as in previous years and emphasis continued to be placed on light industries. However, several new industries had been set in motion by both public and private financing.

Agriculture was still in a state of veritable stagnation, with 53 per cent of the population cultivating 10 per cent of the land and living at the subsistence level. In order to remedy the situation, the Government had enacted a basic agrarian reform law and hoped to provide the necessary funds for its implementation out of the national budget. The agricultural problem was further complicated by the absence of an adequate transport and communications network, which impeded access to markets and more extensive cultivation. Unfortunately, Peru did not possess sufficient resources for massive investment in infrastructure, such as roads and railways.

Confronted with such acute problems, Peru had decided to adopt a policy of economic and social planning. However, it had to decide over how long a period it should aim to achieve social reforms, at what stage the most significant efforts should be made, and precisely how to combine economic development with social reforms in order to rehabilitate the vast majority of its people. The needs of the agricultural sector were so urgent, however, that it had no choice but to direct its first development plan towards establishing the infrastructure of the economy and stimulating productivity. The plan would further aim to strengthen the balance of payments position, relieve unemployment, extend education and develop public health services. Indeed, the first plan would be one of readaptation of the economic and social structure of the country so that future plans could effectively accelerate development, and thus raise standards of living. One of the principal efforts would be to bring about a redistribution of wealth by limiting the consumption of luxury goods by the privileged classes in order to free capital for investment purposes. The Peruvian Government considered it indispensable that the private sector should participate actively in economic planning and should identify itself with all the problems, both economic and social, which might arise during that process.

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Turning to the question of economic integration, he pointed out that the members of the Latin American Free-Trade Association had fulfilled the goals established when the organization was conceived, but should bear in mind the warning of the representative of Uruguay that its decisions should be adapted to the institutional structure of the country concerned. There was, moreover, an urgent need to stimulate interest on the part of private enterprise in the objectives and methods of development through meetings of industrialists, government publicity and a campaign designed to convince private enterprise that it had everything to gain from the expansion of the internal market to 200 million consumers. Moreover, the members of the Free-Trade Association should enact the necessary legislation to give effect to the principles agreed upon at Montevideo. They should place particular emphasis on the training of technical personnel and seek more technical assistance in that field.

He concluded his remarks by paying a tribute to the achievements of ECLA under the leadership of its retiring Executive Secretary.

Mr. SANABRIA (Paraguay) hoped that the unanimous recognition of the work that had been done by ECLA in its fifteen years of existence would be reflected in a suitable resolution expressing the gratitude of all the member Governments to ECLA.

With regard to the economic situation of his country, he said that a continuing effort was being made to overcome the great handicap of Paraguay's position as a land-locked country by strengthening the infrastructure necessary for its economic and social development and creating new road, river and air transport facilities. An agrarian reform programme was being carried out through the distribution of land in newly opened areas, the construction of schools, health centres, local roads, and a settlement programme undertaken with the financial assistance of the Inter-American Development Bank.

The imbalance between the rate of population growth and that of economic expansion had obliged the Government of Paraguay to take steps to encourage productive investments. The first step was the introduction of free currency exchange and a programme of action to restore confidence

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in Paraguay's money. The stabilization effort, supported by the International Monetary Fund, had extended over seven years and had represented a great sacrifice for certain sectors of the national economy, especially the workers, who during the past year had given up their just demands for wage increase in support of the stabilization programme. But devaluation had strengthened the position of imported products on the Paraguayan market and co-ordinated action by the countries of Latin America was needed to restore monetary stability and prevent an aggravation of the imbalance evident in the heart of the continent. In that connexion, he welcomed the information furnished by the representative of IMF regarding its programme of co-operation with the countries of Latin America.

Among the economic and social projects in which Paraguay was engaged, he wished to mention an important hydroelectric plant, and the training in economic development given to a large group in 1962 under the joint auspices of ECLA and the National University of Asuncion; a similar course was being given in 1963. So far there had been planning of individual projects only; global planning had not been undertaken for want of the necessary resources. He also wished to draw attention to the important part being played by the Episcopate of Paraguay, which in a pastoral letter appealed to private enterprise to invest its funds productively and called for integral and balanced development of the whole economy.

His delegation considered the United Nations Conference on Trade and Development most important for Latin America. The question whether the efforts at integration in other parts of the world would result in increased demand for Latin American products or whether they would lead to discriminatory practices had to be clarified, for on that question would depend the position which Latin America would have to adopt to safeguard its interests.

ECLA had long sought a solution of the problem arising from the fact that world prices for Latin America's products and the products of the industrialized countries were fixed by the latter countries. It was that situation which made it necessary for Latin America to industrialize and integrate its economies. Paraguay had vigorously supported the idea of

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integration, which it considered to be not a simple harmonization of development plans but a matter of investments, of appropriate location of industries of regional magnitude, and of priority for the less developed countries.

Paraguay had begun the programming of its development with the help of the OAS/ECLA/IDB/Tripartite Committee. Acceleration of that process would require additional funds and more extensive technical assistance so that plans could be drawn up more quickly not only in the light of internal needs but also with a view to integration.

In conclusion, he paid a warm tribute to Mr. Prebisch and wished his successor, Mr. Mayobre, every success in his new post.

Mr. GANDARILLAS (Bolivia) said that ECLA had distinguished itself in three major fields of endeavour: in investigation and research directed towards enhancing understanding of the economic and social phenomena of Latin America, in its training programmes in economic and social development, and in the technical assistance it had made available to the countries of the continent through its network of technical advisers. He paid a warm tribute to Mr. Prebisch for his leadership of the Commission and expressed confidence that Mr. Mayobre would carry on the work accomplished. Bolivia strongly supported the two major objectives of ECLA: emphasis on industrial development now that most countries of the continent had exhausted the possibilities of a policy of import substitution, and economic integration, stressing as regards the latter point the simultaneous need to resolve the problem confronting a nation in South America or any other part of the world which suffered from the serious geographical limitation of being a land-locked country. It further supported the idea that since the economic, social and political aspects of development were indivisible, the basis of all progress lay in drastic structural changes within each country.

He reviewed the major causes of Bolivia's economic backwardness, pointing out that as a result of structural changes and a vigorous programme of economic and social development devised and partially implemented in the past ten years, Bolivia was on its way to becoming

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a truly modern State. The major structural change had been the agrarian reform brought about by the 1952 revolution and at present being amplified and perfected. The second most important change in the country's approach to the problem of its development had been the introduction of planning, not merely as a matter of economic policy, but as a permanent provision of the Constitution. That provision was being implemented by a complex machinery at all levels of the nation's economic life. Thus, Bolivia had been proud to present, at the Punta del Este Conference, its first 10-year development plan.

However, that had been the first stage only; as a follow-up and acting on the advice of the Panel of Nine, Bolivia had worked out a two-year programme and specific projects for immediate implementation. As a result of approaches made to various regional and international financing organs and with the direct assistance of the Agency for International Development and the Inter-American Development Bank, Bolivia had signed an agreement in July 1962 for a loan of 80 million dollars. It had also undertaken drastic measures of administrative reform, notably the co-ordination of all organs concerned with economic development and a rationalization of its public administration. Bolivia looked to ECLA, in co-operation with the United Nations agencies concerned and the various financing organizations, to help it overcome the severe limitations encountered in implementing its development plan. It was confident that their assistance would be forthcoming.

Mr. PEREZ LA SALVIA (Venezuela) paid a tribute to Mr. Prebisch for his outstanding contribution to the achievement of ECLA and said that his country was honoured by the designation of Mr. Mayobre as Mr. Prebisch's successor. The work of ECLA and its excellent documentation was especially important because it enabled the various countries of Latin America to reach a fuller understanding of their common problems and to learn from one another's experience. Moreover, it helped them to adapt economic theory to the practical realities of development.

Reviewing the economic situation in Venezuela in recent decades, he emphasized the great inequality in the distribution of wealth, the almost total reliance on oil exports and the low level of development.

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It was not until 1958 that a co-ordinated effort had been made to alter the agricultural structure, diversify production and introduce planning and a measure of industrialization. Finally, in 1960, Venezuela had drawn up its first development plan and had since prepared a four-year plan now being studied by the Panel of Nine.

The chief objective of the four-year Plan was to attain a rate of increase in the gross national product of 8 per cent annually, to reduce unemployment to 6 per cent and to improve the social environment of the majority of the population. To achieve that end, it was planned to change the structure of production, increasing manufactures by 14 per cent yearly, agricultural output by 8 per cent and housing by 15 per cent. Emphasis would be placed on enhancing the production of intermediate industries rather than the traditional branches of manufacture and exports would be diversified. The largest proportion of imports would consist of machinery and equipment. A number of measures were being taken in order to achieve the targets set: financing of fixed and working capital and of exports; a programme for the leasing of fixed assets; a registry of industrial projects in order to assess potential investment by private enterprise; the development of the steel and petrochemical industries, and the vocational training of workers and the special training of experts and skilled technicians. At the same time, an effort would be made to settle at least 25 per cent of the population on the land, to reduce illiteracy and the housing shortage, to extend electrification and water supply to 80 per cent of the population, and to complete the national road network.

Great progress had already been made in settling thousands of families on land of their own, and the change in the land tenure system brought about by the Agrarian Reform Act of 1960 had resulted in an unprecedented increase in agricultural output. An integrated system of protectionist measures, technical assistance and credit facilities was being applied to stimulate industrial development, with highly satisfactory results. Despite its drawbacks, Venezuela had found that the system of import substitution was still the best way to initiate industrialization. Venezuela's industrial progress was being accompanied by an effective programme of mass education and a series of measures aimed at social improvement.

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Like all Latin American countries, Venezuela was indebted to ECIA for its enlightened guidance and its practical achievements in fostering development. However, much remained to be done and many obstacles had yet to be overcome. Perhaps the chief obstacle was the conservative mentality of the powerful classes and their distrust of structural change and new development trends. An almost equally great obstacle was the existence of a totalitarian mentality among some groups which posed as the champions of the people, but in fact sought to hamper progress and restrict freedom. Those obstacles could only be overcome by a wider dissemination of the concepts of development and by practical successes which would be achieved within the framework of democracy. Development was the only solution for Latin America, but great precautions should be taken to see that it was achieved without sacrificing freedom and human rights and that it did not have the effect of widening the gap between rich and poor.

Mr. CARDENAS (Inter-American Development Bank) recalled that the Board of Governors of IDB had just held its fourth annual meeting at Caracas, and he felt that it had emerged in closer touch with the problems of economic and social development in Latin America, for which it was the foremost financing agency. The member countries had decided to intensify its financing and technical activities in order to increase its contribution to the economic and social development of the Latin American countries.

Among the decisions of major importance he would include the decision to increase the ordinary capital, and the resources of the Special Operations Fund and of the Trust Fund for Social Development, which should make it possible not only to maintain but to increase the rate of IDB's operations; the decision to adopt, before 30 September 1963, the regulations for the implementation of an intra-regional programme for financing exports of capital equipment, to continue and increase financing and technical assistance operations promoting the process of economic integration of Latin America, and to strengthen IDB's ties with ALALC and the agencies of the General Treaty on Central American Economic Integration, and with other bodies concerned with the various aspects

/of integration.

of integration. There was also the decision to instruct the Board of Executive Directors to observe the activities of inter-American and international bodies concerned with financing to compensate fluctuations in income from exports, including the recent experiences of the International Monetary Fund in that field, and where necessary to report to Governments and submit to them comments and suggestions as to possible studies of that subject by IDB. He would also mention the recommendation concerning the establishment of a working group to report to the Board of Governors at its next session on the financing of exports of primary commodities.

The Inter-American Development Bank was thus participating to an increasing extent in all the most important activities connected with the economic development of Latin America, and its action was producing effects in the most widely varying fields wherever there was need to direct and channel resources, efforts and communal aspirations in order to make them more effective. Thus, in accordance with its own terms of reference, IDB was assisting in the processes of development at the national level promoting the preparation of programmes to be financed by existing institutional machinery, stimulating social, economic, fiscal and administrative structural reforms where present structures constituted an obstacle to development and to the institution of fairer systems for the distribution of income, stimulating the growth and modernization of private enterprise and encouraging it to find new forms of distribution of share capital.

In the more general field of regional integration and planning, IDB had not only demonstrated that there were opportunities for extensive co-operation with bodies directly or indirectly concerned with achieving the economic integration of Latin America, but that such co-operation was indispensable if the process was to gain momentum and make effective use of the financial and technical co-operation machinery which could help to give immediate effect to projects.

The Inter-American Development Bank was anxious to play its full part in the economic integration of Latin America, which would call for the fullest mobilization of institutional, financing and technical resources, both internal and external. It had obtained resources from the capital markets, had sought useful contacts with the industrialized countries

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and was actively engaged in its own specific task of coordination and search for external financial resources necessary to the prosecution of national development programmes in member countries. The fact that it was now starting to finance exports of capital equipment indicated that it was pursuing the purposes for which it had been established, and that its activities were of **practical** value in fulfilling the aspirations of the Latin American countries towards the financing of economic and social development and other kindred aims of great strategic importance.

In conclusion, he paid a tribute to Mr. Prebisch on his retirement from the post of Executive Director of the Commission. The Inter-American Development Bank had always had the best possible relations with Mr. Prebisch, who had done so much to advance the work of the Commission. He welcomed the appointment of Mr. Mayobre as his successor, and expressed his confidence that relations between IDB and the Executive Director of the Economic Commission for Latin America would continue to be excellent.

The meeting rose at 7 p.m.