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Seventh session
La Paz, Bolivia
15 May 1957

COMMITTEE II

(ECONOMIC DEVELOPMENT, INDUSTRY AND ENERGY)

SUMMARY RECORD OF THE SECOND MEETING

Held at La Paz on Friday, 21 May 1957, at 3.30 p.m.

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The technique of analysis and projections in
the programming of economic development

PRESENT:

<u>Chairman:</u>	Mr. TORRES GAITAN	Mexico
<u>Rapporteur:</u>	Mr. MONDRAGON	Honduras
<u>Members:</u>	Mr. MELERO	Argentina
	Mr. FOSSATI	Bolivia
	Mr. OLIVEIRA CAMPOS	Brazil
	Mr. MELNICK	Chile
	Mr. MORERA	Costa Rica
	Mr. GAMBOA	Cuba
	Mr. GUAROA	Dominican Republic
	Mr. CHAVEZ	Ecuador
	Mr. DUARTE	El Salvador
	Mr. VIAUD	France
	Mr. MELGAR LARRIEU	Guatemala
	Mr. BRAVO	Mexico
	Mr. ZIJDERVELD	Netherlands
	Mr. CLEMENT	Panama
	Mr. HERMOGENES GONZALEZ	Paraguay
	Mr. BUSALLEU	Peru
	Mr. BARNES	United Kingdom
	Mr. BEKKER	United States of America
	Mr. DEMARCO	Uruguay
	Mr. PINO	Venezuela

/ALSO PRESENT:

ALSO PRESENT:Observers from
Member States:

Mr. CHENDOV	Bulgaria
Mr. VESELY	Czechoslovakia
Mr. MANCINI	Italy
Mr. IZAWA	Japan
Mr. ALBU	Rumania

Observers from inter-governmental organizations:

Mr. ROYER	General Agreement on Tariffs and Trade
Mr. WIAZEMSKY	Inter-Governmental Committee for European Migration

Representatives of non-governmental organizations:Category B and Register:

Mr. FRIEDLAENDER	World Jewish Congress
Mr. HAYSEN	International Confederation of Free Trade Unions

Secretariat:

Mr. URQUIDI	Director, Economic Commission for Latin America, Mexico Office
Mr. MAYOBRE	Secretary of the Committee
Mr. FURTADO	Assistant Secretary of the Committee

PROBLEMS ARISING FROM THE GROWTH OF THE LABOUR FORCE IN
RELATION TO CHANGES IN THE ECONOMIC STRUCTURE (continued)

Mr. OLIVEIRA CAMPOS (Brazil) said that his country shared with other under-developed countries certain common characteristics in regard to demographic questions. It had experienced a rapid rate of population growth, in particular in that of the urban population, and there was a relatively high proportion of agricultural workers in the labour force. On the other hand, the ratio between the amount of the labour force in the service trades and the amount in industry would appear to be more reasonable in Brazil than in other under-developed countries. The degree of movement from the country to the town was relatively high, but because of unemployment compensation there was relatively little industrial mobility.

There still appeared to be opportunities, however, for productive absorption of people in agriculture. That required, in some areas, fiscal measures to discourage latifúndia and, in other areas, investment in transport facilities. The big problem in regard to the labour force, however, was the lack of skills and the obvious need was for more education. Unfortunately there was a high degree of absenteeism in the primary schools and at the university level there was a lack of courses in industrial techniques.

Industrialization in Brazil had made surprising strides considering the lack of technicians. That was partly due to the adaptability of those who had been available but also to

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the fact that until recently industrialization had been confined to consumer goods requiring little in the way of complicated techniques.

Too little was known about the human input in specific economic development activities and he would therefore suggest to ECLA the desirability of an industry-by-industry study of that important question. That would, on the one hand, permit of a more realistic assessment of the total cost of the planned investments - which should include the derived educational costs - and give to the Governments a clear indication of the educational and training effort required by their development programmes.

Mr. BRAVO (Mexico) expressed interest in the Brazilian representative's reference to the human contribution to economic development.

He went on to speak of a study which had been carried out recently in Mexico on the demand there would be in Mexico in 1960-65 for technically skilled workers. A sampling system had been used, covering many different industries and both management and labour. After that stage, some forty odd seminars had been held at which business men had predicted their needs for the future. Following that, arrangements had been made for groups of highly qualified business men and technicians to visit institutes of higher education in other countries. Finally, a study had been made on the uses to which visual education could be put in training technicians.

/Mr. MELNICK

Mr. HELNICK (Chile) agreed with the representatives of Brazil and Mexico that the problem of the human contribution to economic development had not received the attention it deserved. The Chilean delegation was much concerned with the complex question of a labour force and with the complementary problem of education. One solution could be to reduce the number of years during which children attended primary school from six to four in order to provide education for a larger number of children.

He drew attention to the social problem involved in increasing productivity. In transferring from the work condition which existed in a barter economy to those in a highly capitalistic economy, workers would need to undergo a complete personality change.

Mr. FINO (Venezuela) said that the gradual decrease in the agricultural labour force which was the natural result of economic development need not lead to economic imbalance if the secondary and tertiary activities of the cities were able to absorb the excess labour force.

In Venezuela, both the Government and private enterprise recognized their obligation to increase the amount of technical training; the oil companies, in particular, had made a great contribution in that field.

Mr. HERMOGENES GONZALEZ (Paraguay) said that his country was sparsely populated and predominantly agricultural. The Government was spending 16 per cent of the budget on education

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but it was felt that the expenditure was justified by the results. Particular attention was being paid to providing the kind of education that would help young Paraguayans in their future life and in that task valuable assistance had been received from UNESCO and under the Point Four Programme.

Mr. GUAROA (Dominican Republic) said that, as his country was predominantly agricultural, the Government was interested in any methods of improving the techniques of agricultural production. It had already attacked the problem of illiteracy with considerable success and was working out plans to increase agricultural exports and economic development in general.

Mr. CHAVEZ (Ecuador) agreed that education was vitally important in the struggle for increased labour skills. He differed somewhat from the Chilean representative, however, in wishing to place the emphasis on the quality rather than on the quantity of education. There was more likelihood of producing a skilled worker from a person whose early education had been conscientiously directed to that end.

FOREIGN CAPITAL AND THE TRANSMISSION OF TECHNOLOGY
(Conference Room Paper No 6)

At the request of the Chairman, Mr. Urquidi (Director, Economic Commission for Latin America, Mexico Office) read a paper prepared by the Secretariat on Foreign Capital and the Transmission of Technology.

At the invitation of the Chairman, Mr. IZAWA (Japan) addressed the Committee. He pointed out that as a result of the war Japan had lost her colonies, with the result that

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innumerable highly qualified technicians who had worked in those countries had been forced to return to Japan. He was sure that if the Latin American countries were prepared to receive them many of those technicians would be glad to come and would devote their expertise to the economic development of the region.

Mr. OLIVEIRA CAMPOS (Brazil) agreed that technology had always constituted one of the most important elements of economic development. The note submitted by the Secretariat called for two general comments. Firstly, the import of technology, especially labour-saving equipment, raised manpower problems that were peculiar to the under-developed countries and differed greatly from those existing in the highly developed countries. Secondly, it was far easier to import technical and scientific technology than to import social or administrative technology. The fact that machines were easier to import than organizational experience accounted for many instances of low efficiency and showed how important it was to train good managers and administrators.

Turning to the question of how imported technology could best be absorbed, he emphasized that that was closely linked with the problem of the relative merits of direct investment as compared with loan-financing and explained that direct investments had the great advantage of implying a flexible debt, although in some cases they proved more expensive, in terms of foreign exchange, than loan-financing. From the

/general economic

general economic point of view no generalization could be made, but the case for foreign participation through direct investment seemed stronger in the case of complex or fast-evolving techniques and weaker in the case of relatively stable techniques. He deplored the existence of areas of "closed technology" which were not being absorbed by the under-developed countries, owing to monopolistic control of patents by the advanced countries. In conclusion, he pointed out that the technical problems facing most under-developed countries were very similar and called for a constant exchange of information and experience through the establishment of regional technical institutes.

Mr. BEKKER (United States of America) commended the Secretariat for having pointed out the importance of the transmission of advanced technology by private investment. The United States itself was the recipient of large amounts of direct foreign investment, which acted as the carrier of modern technology, and it thus shared in the substantial resources devoted by other countries to modern production methods. In return, the United States was also a major exporter of new technology to other economically advanced countries. A number of specific programmes were designed to encourage the flow of technical knowledge between the United States and Europe, and the movement of capital had sometimes been incidental to the exchange of technological advances. A very large part of United States research in the field of industrial technology

/was being

was being conducted by private enterprises which had complex networks of laboratories and other services at their disposal. In these circumstances, it was difficult for the Government to engage competent technicians and assign them abroad. Furthermore, that was not an adequate way of transferring the complex skills and procedures required in a given production process.

There were a few secondary points which had not perhaps been sufficiently stressed in the Secretariat Note. He did not agree that private capital could play a useful role only in the export sectors and in the development of domestic markets. It would, for instance, be willing to enter the field of public utilities were it not for what appeared to be unnecessarily restrictive conditions. Moreover, within the last few years there had been a revival of the foreign bond market in the United States and that, he felt, was the beginning of a trend that might lead considerably farther.

Mr. BRAVO (Mexico) said that the industrialization of Latin American countries invariably had to face the inherent contradiction between the advantages of technological advances and the problems connected with the labour force. Technological studies in foreign countries had led to two developments which had affected even the highly industrialized countries: the introduction of automation, and the development of complex methods of analysis which made it possible to plan industrial activity with the maximum efficiency and the lowest costs. The main problem in Latin American countries, however, was not to seek

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minimum costs or to adapt technological advances, but rather to adjust technological developments to the domestic consumption capacity. It was essential to analyse and plan industrial development from the point of view of national productivity as opposed to business productivity. That would make it possible not to base decisions on mere considerations of cost and to integrate industrial development with the possible use of all the resources of the country.

THE TECHNIQUE OF ANALYSIS AND PROJECTIONS IN THE PROGRAMMING OF ECONOMIC DEVELOPMENT (Conference Room Paper N°5)

Mr. MAYOBRE (Secretary of the Committee) read the Note prepared by the Secretariat on the technique of analysis and projections in development policy (Conference Room Paper N°5).

At the request of the CHAIRMAN, Mr. MELNICK (Chile) gave a brief analysis of the Manual on economic development projects now being prepared by the Secretariat with the intention of combining in a single text the data and information indispensable for the preparation and evaluation of projects. He pointed out that without well-prepared specific projects any economic programme would become a dead letter and emphasized that each project had to be examined in the light of the general economic development programme, and not as a separate entity. It was essential first to bring together all the data and information on a given project and then to appraise that project by comparing it with others. It should also be remembered that each project would have repercussions on other projects and

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on the economy as a whole. It was necessary, therefore, to study all its possible effects in the future. Since each technical alternative, such as the choice of fuel, for a given project had economic aspects which went beyond the question of cost, careful consideration should be given to all related problems. Finally, the evaluation of the project should be based on a careful distinction between market prices and the social cost of productive factors.

The meeting rose at 6.15 p.m.