Information Documents

No.27	Address delivered by Mr. Harold M. Randall, representative of the United States of America
No.28	Address delivered by Mr. Hermogenes González Maya, representative of Paraguay
No.29	Address delivered by Mr. Federico Consolo, representative of the International Banb for Reconstruction and Development
No.30	Address delivered by Mr. Ulpiano Blanco, representative of the World Health Organization
No.31	Address delivered by Mr. Tommaso Mancini, observer for Italy
No.32	Address delivered by Mr. José María Alfaro Polanco, observer for Spain
No.33	Cancelled
No.34	Text transmitted by Mr. Ramon Salinas Mariaca, on behalf of the World Alliance of Young Men's Christian Associations
No.35	Resolutions of the General Assembly and the Economic and Social Council of Concern to the Commission
No.36	Statement of Inter-Latin American Trade by the Secretary of Committee I
No.37	Report by the Secretary of Committee I on the Implementation of the resolutions of the Trade Committee concerning the Regional Market
No.38	Statement by the Secretary of Committee I on the First Session of the Central Banks' Working Group
No.39	Statement by Jean Royer, representative of GATT
No.40	Note on the repercussions of a European Common Market on Inter-Latin American Trade, presented to Committee I by Mr. Rito Raul Villalobos of the Mexican Delegation
No.41	Address delivered by Mr. P.H. Zigderveld, of the Netherlands Delegation
No.42	Statement by Mr. Raymond Poussard, member of the French Delegation
No.43	Cancelled
No.44	Statement by Mr. Emilio Barreto, representative of Perú
No.45	Statement by Dr.H. Max, member of the Chilean Delegation, on the Inter-American Bank for Economic Development
No.46	Address delivered to Committee I by Mr. G.G. Hernandez, member of the Venezuelan Delegation
No.47	Address delivered by the representative of the Netherlands in Committee II
No.48	Address delivered by Mr. Alberto Lagnado, Director of the Latin American Regional Office of the International Labour Organisation
No.49	Spanish only (See Spanish bound copies)
No.50	Address delivered by Mr. Manuel Bravo, of the delegation of Mexico
No.51	Address delivered by Mr. José Garrido Torres, of the Brazilian delegation
No.52	Statement by Mr. R.C. Barnes, member of the United Kingdom delegation
No.53	Statement by Mr. J.H. Wright, alternate representative of the U.K.
No.54	Address delivered by Mr. Ariosto D. González, representative of Uruguay

Information document N° 2

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session

La Paz, Bolivia, 15 May 1957.

INAUGURAL ADDRESS DELIVERED BY HIS EXCELLENCY DOCTOR HERNAN SILES ZUAZO, PRESIDENT OF THE REPUBLIC OF BOLIVIA, ON 15 MAY 1957

My first desire is to express here, in this forum of the Americas, the deep satisfaction which the Bolivian people feel in having the honour of acting as host to this important assembly. It is a source of exceptional patriotic pride for Bolivia as a nation of this continent. Our independent life began in the best American tradition, and it is a pleasure to see our country helping to cement the relations which will promote and consolidate our common destiny.

The work of ECLA constitutes a practical illustration of the zeal for progress which characterizes the international ccnciousness of our time. Until the last war, the international organizations devoted their attention to the larger countries. It seemed as if the human race might have existed only in those latitudes where all the advantages of culture and progress had been accumulated. The huge family of the poorer nations burdened for centuries past by their legacy of ignorance and penury, were of no concern to the many assemblies, conferences and committees which met during the reactionary period that began with the trench warfare of the First World War and continued until the

/bombing of

bombing of Warsaw in 1939.

Fortunately, the statesmen who shaped the peace - precarious though it is - in which we are now living, entrusted the United Nations with the task of making a thorough study of the problems of the under-developed peoples. And thus, inspired by a just and generous concept there came into being those specialized agencies whose mission it is to diagnose the impediments to human progress existing in the more backward regions and whose first X-ray examinations reveal the lesions caused by the exploitation of centuries.

ECLA has complied with the requirements of our time. The life of Latin America has been depicted in its studies with a degree of accuracy and emphasis never before achieved in our already lengthy experience as independent nations. I must declare, in all fairness, that, so far as technique is concerned, ECLA has discovered a continent. Latin America was, and up to the point still is, an unknown region, like those portrayed in the unchartered maps of the Renaissance geographers. The continent formed by our countries was known as one that lagged behind in the rearguard of the Western world. No economic or sociological training was required for an understanding of our collective misfortunes. The tragedy of the agricultural worker without land of his own or cultural prospects, the concentration on a single branch of production that likened us to the producers working for the colonial trading companies of former times,

/the illiteracy

the illiteracy which closed the doors to the intellectual triumphs of the modern world, were obvious to the most casual observer. Until ECLA came upon the scene, our difficulties had never been expressed in terms of statistics, nor had any attempt been made to catalogue our problems. In its annual surveys and its specialized studies ECLA has recorded the factors determining our backwardness.

From among the ECLA studies I should like to select one which, in my opinion, deals with most of the problems of Latin America. Although in the countries lying between the Rio Grande and the Straits of Magellan national income has risen more rapidly in the last few years, it has not yet reached a satisfactory level. Furthermore, the most recent trends suggest a slackening of the pace of development. Investment figures are in some cases far below those essential for the expansion and strengthening of the region's economy. In the language of the man in the street, these data show that the economic development of Latin America is a long way behind that of the great industrial countries. The proportion of national income represented here by investment is lower than in the United States and some of the European countries, where a reasonably high standard of living has long been enjoyed. This contrast between the slow progress of the Latin American countries and the rapid advance of the industrialized regions has attracted the attention of authoritative centres of international culture. The Technological Institute of Massachusetts contends, in a recent publication, that the

under-developed peoples need to invest 20 per cent of their national income if they wish to emerge from the disadvantageous position in which they were left by the abuses of earlier times. It is common knowledge that not more than 15 per cent of the annual product is earmarked for capital formation in Latin America.

The difference between the more highly developed countries and those that are striving to overcome their handicaps reflects and symbolizes the drama of our times. While there is still an abysmal gap between wealth and penury in the family of nations, grave threats to the peace will continue to exist. There is a characteristic feature of the twentieth century which pervades and inspires current history. In the four corners of the world, the disinherited are no longer resigned to their lot. Happily for the human race, servile hands, submissive to the lash of the oppressor, are nowadays not to be found. The echo of the nation's strife to overthrow the barriers to their progress is so loud that it resounds throughout the world. But so long as there is no international understanding of this process, we shall always stand on the brink of disaster. For, if respect for the rights of others is what constitutes peace, as was averred by that true citizen of America, Don Benito Juarez, the combination of the weakness of some with the headlong drive of others entails the risk that this elementary principle may be violated. The power politics that sway the world have been distorting the international outlook for a whole decade, with the result that movements expressive of a genuine and irrepresible aspiration

/towards national

towards national dignity are appraised in the ight of misleading criteria. The admission that the conquest of independence and economic progress by peoples which yesterday had no share in the accumulated advantages of civilization is a reality of our times and represents a decisive step towards world understanding and peace.

And now let me pass to the problems of Bolivia, to project them against the regional background with which this assembly is concerned. As I stated at the outset, Bolivia is a nation which entered upon its independent life under the banner of regionalism. It was founded by our own guerilla troops and by the Army of the Liberator, whose motto was "America" and the source of whose inspiration was equality for all the countries of the continent. We gave and received our contribution of bloodshed and sacrifice for the emancipation of America. Since then we have lived in hope of the emergence of that just and free America which will settle its differences by peaceful negotiations and will relegate force to the museum of bygone things. And it is a source of satisfaction for us to recall how, despite all its imperfections, the inter-American system has already succeeded in replacing the law of the jungle by procedures more closely akin to cultural development and the rule of law.

At the present moment Bolivia is waging one of the most dramatic of campaigns to shake off the yoke of poverty. We are rooting out a political system which condemned us in the past to sterility and suffering. For the first time in our history

/the word

the word "justice" has force and human significance. But the wounds of the past were no surface scratches. Long years of oligarchic rule laid waste our economy and sacrificed our country to interests other than its own. After contributing to the shaping of Western civilization with the wealth of our veins of ore, and bending, generation after generation, in mute effort, we are left with a heritage of economic collapse. Bolivia exemplifies the evils that may be visited upon a people by those obsolete systems the strength of which is manifested only in their desperate efforts to prevent their prey from finally escaping their selfish clutches.

We have had voluntarily to submit to an austerity programme which entails renouncing many of the commodities and conveniences that civilization offers. We are endeavouring to curb an inflationary process that began a quarter of a century ago; now we are faced with the task of setting our entire financial house in order and of enabling the country to rise to the level of its potentialities. It is an ardous struggle, because of the painful contradiction between the aspirations towards social betterment and the scanty resources of an impoverished country lacking in investment. My confidence in the future is based on the understanding of the Bolivian people which is supporting the stabilization policy in full awareness of the temporary sacrifices it involves.

We realize that the interdependence characteristic of our

/times makes

times makes every mineral ore, every fibre and every foodstuff part of the common heritage of the entire world community. And we know too that economic development is the only instrument capable of strengthening national sovereignty and of reconciling it, without fear of paradox, with the requirements of progress in which the different nations share. The more each of the individual countries comprising a region improves its material circumstances, the more intensive will be the trade between neighbours in one and the same continent. We shall struggle to accelerate the rate of growth of the Bolivian economy, and should it prove necessary to make the purest and most disinterested sacrifices for the future's sake, I am certain that the Bolivian people will rise to the responibilities which duty dictates. Hardship has never caused us to waver, for it was the historical climate in which we were born and grew up as a nation.

But this meeting of American peoples, whose highest interests ECLA serves, would be meaningless if our attitude and behaviour did not bear the permanent seal of active solidarity. However, the experience of the Bolivian people during the last few years reassures us that this solidarity does exist. During the decisive days of the Bolivian revolution we were accorded both confidence and aid.

We hope that, sooner rather than later, some contribution will be made towards the relief of the specific economic problems

/created by

created by our situation as a land-locked State. We are a country imprisoned by the Andes, with no access to the contact with civilization afforded by the ocean. We are aware of the goodwill of the countries privileged to possess an outlet to the sea and we enjoy facilities whereby trade can reach us. But the development of the Bolivian economy, if it is not to slow down to a standstill or come to naught, requires new patterns for progressive trade.

We share one of ECLA's aspirations in that we advocate the expansion of inter-Latin-American trade. The economic isolation of countries linked by common frontiers and inspired by the same traditions is no longer to be tolerated. But it is our belief that trade should be conducted in accordance with the basic feature of the inter-American system, namely, absolute equality between the parties. Let us not expect from other American peoples what we denounce as interference or unjustified claims on the part of regions outside Latin America. Latin America's right to demand justice in international relationships would be dubious indeed if the treatment which one of its countries accorded to another fell short of the ideal of unimpeachable co-operation as an effective step - in harmony with the desire and will of its people - towards the unity of regional brotherhood.

The growth of Latin America is inseparable, as ECLA has shown, from international collaboration. There has been a conflict in this connexion between two arguments which far from

/being incompatible

being incompatible, are perfectly reconcilable if statesmen and public opinion show themselves capable of appreciating the urgent need to equalize conditions in the various parts of the hemisphere. One of these arguments is that large-scale credit and assistance must be afforded to the State if it is to foster the development of public services and of new sources of wealth. According to the other argument, the problem would seem to consist in renewing the flow of private investment. Foreign capital would break the vicious circle of stagnation by promoting a rise in income and an improvement in the standard of living. This is the phenomenon to which ECLA has applied the, technical term of "growth from without", because it is engendered by forces originating outside the economies that are the recipients of such capital. It would be foolish to deny so obvious a fact as that private capital is a stimulus to economic development when it respects the sovereignty and the laws of the countries in which it is invested. No under-developed nation desirous of preserving its democratic institutions can emerge from poverty without calling upon the resources of the great industrial centres. Such transfers of capital constitute the factor which formerly helped to spread throughout the world a method of production based upon advanced techniques and yields.

But exclusive positions are always unilateral and are not consistent with the vast complexity of facts. Investment calls for certain preliminary undertakings which make the risk worth while and guarantee the reward. In countries without roads

/or railways

or railways, where geographic fragmentation and isolation prevail and the basic services are lacking, the most effective incentives to private investment cannot be found. When the real situation of Latin America is studied, it should not be forgotten that in some of our countries capitalistic methods of production exist alongside others inherited from the feudal past, with which they combine or clash according to the characteristics of the historical process concerned. In the capitalistic sector of the economy, where the development of facilities is accelerated by trade in the country's wealth, investment reaches saturation-point, because it is there that the most dynamic forces of both internal and external origin have been concentrated. And in the marginal areas, where the legacy of colonial times still survives, the absence of means of communication prevents a shift of private capital in that direction.

If Latin America is to achieve the co-ordinated development which political progress and social consciousness alike demand, private investment must operate in conjunction with credit facilities and large-scale assistance. The maturity we have now attained repudiates the unilateral growth which was the dominant feature of the nineteenth century. Certain areas of Latin America - precisely those where exportable riches were to be found - were incorporated into the active life of contemporary civilization. And the rest of the region remained plunged in darkness. The aspect Latin America presented was a blend of light and shade,

/brilliant in

brilliant in those parts where modern techniques succeeded in penetrating, and gloomy in those where incentives were fewer. Development trends must now bring these two opposite extremes of our economy closer together. Modernization of the country as a whole is a way of escaping from the vulnerability to external fluctuations which continues to weigh heavily upon us in our still under-developed state.

The case of Bolivia illustrates this contention. If the struggle against inflation is to achieve its ends, our levels of productivity must be raised. Unless the Bolivian economy develops in the immediate future, the success of the programme upon which we have embarked will be seriously undermined. But productivity requires new fields for employment, the incorporation into the national economy of regions where modern techniques are unknown and the improvement of energy supplies and transport services. And to launch this offensive against nature which will divert manpower to more remunerative activities, we need far more capital than the country can possibly muster in its present state of development. There are two alternatives to which I wish to draw attention. The first would demand extreme austerity and sacrifice on the part of the present generation. We should have to accumulate, painfully slowly, by a dumbly tragic process, the capital required for the country's development. Dictatorship, utterly contrary to the convictions of those of us who form the Government of Bolivia and repulsive

/to the

to the temperament of its people, would be the price that the spirit would have to pay for the attainment of this material target. The other alternative would be to receive such credit facilities and assistance as would strengthen our economy and which would then indeed render it capable of absorbing sufficient volumes of investment. And the case of Bolivia is identical with that of most of the peoples of the region. Hence we are facing similar problems, which unite us in the single aim of overcoming them through our joint endeavours, urged on by our sense of the region's common destiny.

Gentlemen: To the delegations present here today, Bolivia extends its hospitality in this land of little ease and comfort but full of promise because of that creative energy which distinguishes the American race. The Bolivian people is eager to offer its fellow-Americans any service that its peaceful but heroic effort and the promise which its liberation holds out may enable it to render them. I wish you godspeed in your honourable endeavours to achieve the noble ideal of creating the conditions which will promote the welfare and dignity of mankind.

On behalf of the Bolivian people, I solemnly declare open the seventh session of the Economic Commission for Latin America.

Information document N° 3

ADDRESS BY MR. DE SEYNES AT THE OPENING OF THE SEVENTH SESSION OF THE ECONOMIC COMMISSION FOR LATIN AMERICA

La Paz, Bolivia, 15 May 1957

Mr. President, Ladies and Gentlemen,

The Secretary-General would have liked to attend this seventh session of your commission in person. Unfortunately, circumstances have prevented him from doing so and he has asked me to convey to you with his regrets at not being among you, his best wishes for the success of your work.

So far as I am concerned, this is the first time I have had the opportunity to take part in the deliberations of the Economic Commission for Latin America in my capacity as Under-Secretary for Economic and Social Affairs. I appreciate the occasion all the more keenly in that it brings us to this beautiful capital, in its magnificent setting - la tempestad petrificada, as it has so graphically been described - and enables us to enjoy the generous hospitality of the Bolivian Government and people.

This session in La Paz brings to my mind the special ties which exist between this country and the work of the United Nations. In 1950 Mr. Keenleyside - who was later to become the Director-General of the United Nations Technical Assistance Administration - led a study group to this country. On the basis of the report of that group a long-term programme of technical assistance for Bolivia was initiated. More recently,

/at the

at the request of the Bolivian Government, the ECLA secretariat undertook a study of the problems and possibilities of development in Bolivia; and the importance of that study is made clear by the interim report which has been submitted to you in that connexion. I hope that this continuing co-operation will help Bolivia to overcome the obstacles - not the least of which are those due to nature and geography - which it is now attacking with so much courage and determination.

Looking at the world economy in 1956, one fact is at once obvious: that the growth in world production and trade has continued, although at a somewhat slower rate than in 1955. This expansionary trend is mainly due to investments in the industrialized areas; however, consumption, too, has remained high despite the efforts made in several countries to limit its increase. The result is that despite the anti-inflationary measures that have been taken by several European countries in order to protect their balance of payment, the over-all demand for imports in these countries has increased appreciably.

Such circumstances undoubtedly indicate a tendency which is encouraging and favourable, provided it is maintained, to the growth of the foreign exchange income of the under-developed countries, particularly when, as was the case in 1956, the increase in demand reflects an expansion in consumption and not the accumulation of inventories. However, the under-developed countries, in assessing the effect of foreign trade in a given year on their own income, cannot consider the volume of trade

/in isolation

in isolation from the relative price levels of the products which make up their imports amd exports. In that connexio it must be noted that although there was an increase of 4 per cent in world exports of primary commodities during 1956, there was also a deterioration, during the same year, in the terms of trade of under-developed countries, due principally to an increase of about 4 per cent in the price of manufactured products on the international market.

So far as concerns Latin America in particular, the economic situation during 1956 was characterized both by a slight decline in average export prices and by the fact that world demand did not increase for all the chief export products. In fact, the contribution of foreign trade to gross national revenue increased by only 3 per cent, a rate hardly higher than the rate of the increase in population.

The increase in the gross product of Latin America as a whole, as the ECLA report shows, barely kept pace with the population increase, and the uncertainties which have characterized the short-term fluctuations of world prices and demand are probably responsible at least partially, for the small increase in production.

This does not mean that the internal factors peculiar to the various countries and the steps taken by their governments did not plah a decisive part in the development of the economic situation in 1956. In particular, the action undertaken by certain countries to halt growing inflationary trends did much to maintain production at levels at which various factors

/were not

were not fully utilized. Certainly, we must all regret that, for external and internal reasons, which naturally vary from one country to another, the rate of the areas' economy growth has been slowed down. But we can only acquiesce once again so far as concerns the need to eliminate any acute and inflationary situation if we wish to establish a solid foundation for future economy growth.

Many countries in the area are today at grips with the task - a very disconcerting one for the chief industrial powers as well - of reconciling the exigencies of continuous growth with the solution of the daily problems raised by the imbalance of their accounts and the need to pursue a policy of stabilization. These difficulties are the more difficult for the under-developed countries to surmount in that the less highly evolved monetary and tax systems of those countries do not always lend themselves to flexible action, so that serious slow-downs in the development of production are sometimes the price which must be paid for stability.

To a certain extent international movements of capital, although they represent only a fraction of the receipts from export trade, had aided the measures taken for internal stabilization. Although such movements remain very inadequate in comparison with the needs of long-term development, they can at least exercise a beneficial influence by providing a respite during which a policy of stabilization can take effect.

Of course, general trends conceal the disparities between

/countries, but

countries, but external equilibrium remains an overriding preoccupation in Latin America, and this fact emphasizes the importance of ECLA's work in the field of trade.

The Trade Committee of your Commission has made an encouragins start. While stressing the development of inter-regional trade, it has clearly indicated that the regional market envisaged should not be a substitute for an increase in the volume of multilateral trade but should rather promote such an increase. The resolutions adopted by this Committee at its first session leave no doubt on that score and we cannot but be pleased that such studies are being carried out within the framework of a universal organization.

Among the efforts to achieve a market covering the whole of Latin America, one sector is ahead, where attention is already being given to economic integration. I am referring to the agreement recently reached by the Economic Ministers of five States of Central America, who met under the auspices of ECLA, on a draft treaty for the creation of a free exchange zone in Central America and for the development of its industry into a more coherent whole with a greater potential.

The value of these measures will depend on the extent to which they will effctively promote the expansion and liberation of trade in a world scale: this expansion and liberation should promote productive effort and lead to increased revenue. We should perhaps attach particular importance to the fact that the plan for a common market between six Western European

/countries has

countries has brought about proposals to extend free trade to a greater number of countries. A parallel development seems to be taking place in this hemisphere where the plan for the integration of Central America has now been supplemented by the plan for a regional market and where the arrangements known as the "Paris Club" and "The Hague Club" introduced an additional element of multilateralisation.

These efforts will probably call for considerable and often difficult adjustments, both inside and outside the regions in question. Addressing the Economic Commission for Europe, a few days ago, the Secretary-General outlined the part it might play, not only by studying the problems raised by the establishment of a common market in Western Europe and the adjustments which such a measure entailed, but also by endeavouring to ensure that such a plan would develop into a wider movement, a movement towards the integration of the European economy and, beyond that, of world economy. I feel that this is the kind of role that ECLA should try to play in Latin America, where economic co-operation does not depend on political contingencies as it does in Europe.

That, I think, is the situation. We must therefore try to see what it implies. In the first instance, this responsibility falls upon the Economic and Social Council, and it is my duty, and the duty of my Department in New York, to supply the Council with the information and studies

/it needs

it needs for its work, basing myself on what has been done in the regions. At the Secretariat level, this might well provide us with yet another opportunity for acting in concert, as requested by the Council, in order gradually to find for the problem of co-ordination a more effective solution than that of merely avoiding overlapping and duplication of work.

At this session your Commission will have to broach this problem in studying the rationalization of work programmes and the concentration of effort. A study of the work of ECLA now in progress gives the impression that resources are already to a large extent concentrated on a limited number of major problems.

That is why the essence of the suggestions which the Executive Secretary is submitting to you on this subject concerns projects to which it has already proved impossible to give priority. With regard to co-ordination, the concerted action which the Council is asking of us and of the specialized agencies is already evident in the programme of work on industrialization and productivity and it should also continue in other fields, for example in that of the development of national resources.

The economic and social advancement of the underdeveloped countries is the chief goal which the Council has set itself. ECLA is contributing to the attainment of that goal. Its work concerns an area which is rich in resources

/but whose

but whose economic development has been retarded by the vicissitudes of history. This delay, however, has not prevented Latin America from playing an important part in the struggle for world peace and security, just as it has not tarnished the splendour of its artistic and literary genius. Latin America has a great past behind it and an even greater future before it. This Commission is the instrument it has chosen within the community of nations to help it to advance towards that future and ECLA already has great traditions in which its members and all the Members of the United Nations may take legitimate pride.

We can rely on the vigorous impulsion provided by Dr. Raul Prebisch, your Executive Secretary, and on the work of his assistants, to perpetuate and enhance that tradition.

Information document Nº 4

ECONOMIC COMMISSION FOR LATIN AMERICA
Seventh Session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED ON BEHALF OF THE DELEGATIONS BY MR. HAROLD M. RANDALL, CHAIRMAN OF THE UNITED STATES DELEGATION, AT THE OPENING MEETING OF THE SEVENTH SESSION OF THE ECONOMIC COMMISSION FOR LATIN AMERICA, ON 15 MAY 1957.

Your Excellency, President of the Republic of Bolivia, Doctor Hernan Siles Zuazo; Mr. Manuel Barrau Peláez. Minister of Foreign Affairs; Ministers and Officials of the Government of Bolivia; Delegations to the seventh session of ECLA; Ladies and Gentlemen:

My esteemed colleagues, the Chairmen of the Delegations of the States members of the Economic Commission for Latin America, have bestowed a high honour upon both my country and myself in designating me to reply on their behalf to the sincere and encouraging words of welcome which His Excellency has so kindly addressed to us. Replying, then, in their name, allow me in the first place, Mr. President, to thank you not only for the kind invitation, extended on the occasion of the sixth session at Bogotá, for this seventh session of the Commission to be held in La Paz, the delightful capital city of this beautiful country of Bolivia, but also, still more, for the cordial reception you have accorded us.

We are meeting here in order to exchange views and to attempt to further and co-ordinate activities in the economic field, where we all share the hope that we shall be able to make some definite contribution to the development of the economies of all the member countries. Unquestionably,

/the principal

the principal responsibility of every country is to grapple with its own problems. Nevertheless, we believe that the improvement of standards of living everywhere must be reckoned among the ambitions of every country represented here; and, moreover, that co-operation may prove a valuable means of solving some of the problems involved. The Economic Commission for Latin America is one of the organizations engaged in such work. The value of the contribution made by this Commission, through the remarkable work of its secretariat under the efficient guidance of its distinguished Executive Secretary, Dr. Raúl Prebisch, is universally acknowledged. The Commission's efforts would be fully justified even had they been confined exclusively to the studies and analyses prepared by the Secretariat. But, in addition, it is our conviction that other major benefits are derived from these sessions held every two years.

On our arrival in Latin America we noted with considerable satisfaction the tendency displayed by the various countries to face and solve their individual problems. With still greater pleasure do we now witness the progress they have already achieved, thanks to their own endeavours.

Special recognition is due, Mr. President, to the zeal and devotion with which your Government has shouldered the task of solving as fully as possible the country's economic and social problems, which are always so inseparably linked. The

/whole world

whole world salutes the effort put forth by you yourself and by your fellow countrymen, and we offer you our congratulations on your straightforward, honourable and efficient implementation of a programme designed to enable your people to enjoy fuller and happier lives. It is with considerable satisfaction that we note that, alongside other international organizations, ECLA is making some contribution to Bolivia's efforts. In wishing you every success, we would assure you of our conviction that, in view of your own spirit as well as that of the people whom you lead, the outcome of your endeavours cannot be other than a resounding triumph.

In conclusion I would suggest that it is highly appropriate for this organization, whose work lies in the economic field, to be meeting here in this Republic which was founded 132 years ago, and whose independence was won with the aid of those great figures in American history, Bolivar the Liberator and Marshal Sucre; for we feel sure that they themselves, if they could see to-day this beautiful city on the roof of the world, would be content with the work that they and their companions began in their campaign for the independence of this part of the hemisphere.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session

La Paz, Bolivia, 15 May 1957

STATEMENT BY DR. RAUL PREBISCH, EXECUTIVE SECRETARY OF THE ECONOMIC COMMISSION FOR LATIN AMERICA, AT THE FIRST PLENARY MEETING OF THE SEVENTH SESSION, 16 MAY 1957

When the member Governments of this Commission accepted with pleasure the invitation to hold the seventh session at La Paz, so kindly extended by the Government of Bolivia at the Bogotá conference, we of the secretariat of this United Nations organization were most gratified to have such an opportunity of visiting the scene of developments as important as those which are taking place here. Later, the secretariat received a further invitation, offering even greater promise and possibilities, for a group of our economists to study Bolivia's economic development problems and the lines along which the most important of them might best be solved. In spite of an exceptionally heavy work-load, we did not hesitate to accept this further undertaking, in which the Technical Assistance Administration offered its always very welcome and valuable collaboration. The reception accorded to our economists was generous in the extreme; all public and private sources of information were made freely available to them, and they unfailingly met with active co-operation in the execution of their task.

/Before proceeding

Before proceeding with my statement, therefore, I must express my deep appreciation of the spirit of friendly cordiality then displayed, as well as of the hospitable welcome extended to us on the present occasion, to the warmth of which the delegations need no words of mine to testify. In the preparations for this session we invariably enjoyed the unflagging support of efficient and energetic Bolivian officials. We wish to thank them all, and in particular the Rector of this University, which has so kindly opened its doors to ECLA's seventh session.

Bolivia is seeking new patterns of economic life and social relationships. The growth of the country had always been directed outwards, and had been beset by extremely difficult circumstances. This form of growth which was the pattern for the Latin American countries but is definitely a thing of the past, undoubtedly enabled some of them to develop their exports on a substantial scale, and thus to prepare themselves for the new dynamic phase through which they are at present passing. But this did not apply in every instance, and was far from true in the specific case of Bolivia; from the earliest colonial times, the wealth of its mines was distributed over the world, without in return providing the country with the resources essential to its economic development. Primitive farming techniques, dating from centuries back, and a land-tenure system which stifled human energies and prevented the expansion of production, were the most serious obstacles to the development of the economy. But history seldom provides an easy

/solution to

solution to such problems, and it is not surprising that, here too, those initial upheavals should have taken place which are the inevitable social cost of major reforms. The experience of Bolivia has often reminded me of Mexico's; in the latter country, when the traditional land-tenure system disappeared, new social forces were released which are undoubtedly to some extent responsible for the remarkable progress now being achieved by the Mexican economy.

Mexico offers a fruitful example of the way in which the Latin American countries are learning to develop their economies from within. Strong resistances have yet to be overcome, and psychological obstacles, which are far from disappearing, must not be underestimated. Indeed, there are some very curious ideological anachronisms which still influence the more important decisions of economic policy, despite the radical changes that have taken place in the reality and events out of which these ideas emerged. The production of raw materials for the world market requires formulae and makes claims very different from the demands of a time when this objection has ceased to be an end in itself, and has become one of the means - a highly important one, it is true - whereby the internal development of the economy can be promoted, with a view to the attainment of that other primary objective which is a better standard of living for vast strata of the population of Latin America.

Great progress has been made in this direction, and a

backward glance will show that what is now accepted as axiomatic virtually was still the subject of sharp controversy when the discussions of the United Nations Economic and Social Council first began. Some share in such an advance - and perhaps no small one - can be claimed by this regional agency of the Council for Latin America, thanks to the high technical level at which its member Governments have always conducted their debates and adopted their resolutions.

But this is no reason for complacency. The way is only just beginning to be cleared. Neither in the domestic nor in the international field have such effective forms of practical action been discovered as would quickly bring the Latin American countries to the stage at which economic development becomes self-generating. This is the position in the more advanced countries, where, thanks to high per capita income and technological intensity, the process of capital formation takes place almost automatically, and the constant innovations in methods of production steadily raise both productivity and the standard of living.

These highly-developed countries reached this stage through a long-term process. The basic problem in the under-developed countries is to avoid dangerous delays, to assimilate and adapt the new technology with all speed and to attain income levels at which an uninterrupted process of capital formation can also spontaneously generate a sustained rate of economic growth.

/But a

But a combination of factors stands in the way of the decisive transformation required for this purpose. And neither domestic development policy nor measures of international co-operation, despite all the progress made, have yet acquired the scope and vigour that are essential if this undesirable complex of economic and social forces is to be broken up.

Everywhere in Latin America the entrepreneur is now a living and vigorous reality in the field of private enterprise. Nevertheless, despite praiseworthy efforts, he does not yet enjoy easy access to the international sources of capital and techniques and the State, whose resources are also limited, fails as a rule to provide the investment in social overhead capital which the expansion of the economy requires.

A development programme is inconceivable unless measures are taken to strike at the roots of these and other deficiencies. But such a course necessitates gradual national and international action, with considerably greater resources, both technical and financial, than are currently available. A mass transfer of capital and technique is an indispensable pre-requisite for overcoming the obstacles of which I was speaking. And this urgent task concerns not only those whose part it is to provide the capital and the technique, but also, and to a very great extent, the recipients, who must turn the assistance provided to the best possible account in accelerating their economic development.

/Special emphasis

Special emphasis must be laid on this remark with respect to the Latin American countries. They have not yet awakened to a clear consciousness of development problems, and in them too the psychological obstacles, to which I alluded a moment ago, assume substantial proportions. One of the many clear proofs of this is afforded by the heat of the controversy that still rages in a number of countries over the problem of industrialization. It is true that certain maladjustments are observable, but these are not so much due to industrialization in itself as to improvised or misguided economic policy. There are notorious instances of traditional exports' having seriously declined, either because of the over-valuation of the currency, or because prices have been fixed at so low a level as to discourage producers, or, again, because primary production has been prematurely deprived of manpower without first being provided with the necessary means of mechanization. But none of this is inherent in the process of industrialization. Moreover, one of the most serious difficulties encountered in some areas is that, precisely because exports have been thus affected, they no longer suffice to supply industry with the capital goods, raw materials and intermediate products it needs.

In this context, one clearly-defined notion must be fully understood. Every stage in a country's economic development requires the maintenance of a proper equilibrium between agriculture and industry. This is a changing relationship, dynamic and balanced at the same time. One of the functions of industry is to absorb the labour force which is or may be released from

agricultural activities as a result of technical progress. The existence of this real or potential manpower surplus in the rural sector depends not only on the degree of mechanization attained, but also on external and internal demand for agricultural products. If the volume of external demand were large enough for the labour force in question to be completely absorbed by agriculture itself, there would be no need for industrialization. But this is not what actually happens, for the reason so often pointed out: demand for primary commodities increases much less than demand for manufactured goods. And this ubiquitous disparity in the growth of demand assigns to industrialization its second dynamic role in the countries in process of development. The population must be supplied with all those goods that it would otherwise be unable to obtain on account of the relatively slow expansion of exports.

Consequently, for every degree of technical progress in primary production and of expansion in the demand for primary commodities there is a corresponding degree of industrialization. In this context, one of the most interesting conclusions reached in the ECLA study on Bolivia relates to the very fact that primary production, no matter how extensive is the exploitation of the fertile hot-country areas, will not suffice to absorb the whole of the annual increment in the active population. The role of industry as an agent of absorption therefore acquires increasing importance.

At this point I should like to make a digression. The fact

/that industry,

that industry, by absorbing the surplus agricultural labour force, contributes to the urbanization process in the Latin American countries does not mean that the characteristic concentration of the population in the towns which is taking place everywhere, sometimes with disturbing rapidity, originates primarily in industrialization. This aspect of the subject has been dealt with for the first time in a study submitted for the consideration of the seventh session, which, despite shortcomings attributable to uncertainty as to the reliability of the statistical data available, points out certain facts that will undoubtedly arouse the interest of the Governments represented here. The growth of employment is very unequal, especially in certain countries, in activities which do and in those which do not directly produce physical goods. This is a typical feature of economic development. As personl income increases, it is not only the demand for physical goods that expands; after a certain stage the demand for services is apt to develop more intensively. The dynamic phenomenon to which we were referring is not exactly this, however, but the decided over-employment observable in low-productivity services, which is a reflection not of a high development coefficient but of actual under-development. This employment of excessive numbers in precarious occupations or in public administration, which in some areas has increased out of all proportion, is a warning symptom that there is something wrong. And the weakness is to be found in no less a vital spot than the dynamic forces of the economy, whose lack of impetus renders it unable to absorb in directly productive activities

an adequate proportion of that surplus labour, which is so prejudicial to the productivity of the economy as a whole and therefore to the standard of living of the population.

Nor is this all; for in the productive activities themselves, as well as in the related sectors of transport and energy, it can often be noted that, even at prevailing te levels, a surplus labour force exists which could very easily be eliminated. The explanation almost invariably offered is that the trade union objects and that it cannot be done. But the problem here is a much more difficult one than the very understandable resistance put up by the trade unions. What is to be done with the labour force that will thus find itself unemployed? Is it to swell the ranks of the surplus active population in the non-productive activities?

Consequently, the basic problem is one of investment. Provided enough capital is available to expand the productive activities and to develop new branches of primary production and industry, there will be a fruitful field for the aborption of the manpower in question.

We have had the opportunity to observe at first hand the proportions which this problem of surplus manpower has assumed in Argentina. But before considering Argentina's case, I feel obliged to say something about the report prepared by the ECLA secretariat on that country's structural crisis, since I am keenly disappointed at not being able to present the study to the member Governments at this session. It requires only finishing touches, and I hope that by the second half of June

/it will

it will reach the Argentine authorities, in the first place, because of its nature. The study is the result of the technical assistance for which the Government of Argentina applied to the Secretary-General of the United Nations, and in which an active part was played, not only by the Commission, but also by the Technical Assistance Administration, the Food and Agriculture Organization, the International Monetary Fund, the International Labour Organization, and the Inter-American Institute of Agricultural Sciences at Turrialba, which is a subsidiary body of the Organization of American States. What is even more important, we have enjoyed the invaluable co-operation of Argentine officials and of technical experts and executives from the private sector.

The structural crisis in Argentina is the outcome not only of a specific economic policy but of factors which have long been attacking the very core of the economy, and which, as they were not identified, could not be effectively combated. This has perceptively aggravated the crisis. The factors in question are to be found both on the land and in industry; on the land, because the whole expanse of the traditionally productive pampas is already in use, and because the surviving antiquated farming methods and land-tenure systems will not therefore permit an expansion of production, and hence of exports, without jeopardizing growing domestic consumer demand. The intensive introduction of new techniques in Argentina's agricultural and livestock production is a pressing necessity if the country's recovery is to be ensured.

/While in

While in the agricultural sector it is a reform of the methods of production that is needed, what is required in industry is to remedy serious structural defects. As a result of increased industrial activity, which has been gradually developing since the end of last century, import substitution has already been achieved in respect of almost all the consumer goods produced by light industry, but industry is still over-dependent upon imports of raw materials and intermediate products. And as these cannot be increased because of the decline in exports, industry is at a standstill.

This situation will undoubtedly be eased by the expansion of exports which could be achieved over the short term up to a point. But ho ever much exports may increase - and we have erred on the side of caution in our estimates - they cannot suffice to ensure the uninterrupted growth of industry. This latter must also correct its structural defects, so that it depends only to a reasonable extent on imports of intermediate products and raw materials.

A wide range of possible import substitutions has been studied, in activities varying from the steel-making to the petrochemical industries, and careful estimates have been made of the possible magnitude of this process. The saving in foreign exchange which would thus be achieved, plus the increment in the production of petroleum and - allowing for the rather unpromising world market outlook - a moderate expansion of exports, might gradually restore the balanced growth of the Argentine economy.

Such import substitutions would call for intensive

industrial development as regards the production both of raw materials and intermediate products and of capital goods. And this process would provide an opportunity for the absorption of the surplus labour employed in activities not directly producing commodities. For the disproportion previously described has been so great in Argentina, that of the increment in the active population during the last ten years, only a relatively small percentage has found its way into agriculture and industry, and the remainder has been diverted to those occupations where over-crowding is very marked, namely, the railway services and the multiplicity of commercial activities.

Apart from the external contraction which is hampering the growth of industry, shortage of capital constitutes an obstacle to the productive absorption of manpower. Per capita investment has scarcely increased over the last twenty years, and its composition is very unsatisfactory, since it has decreased in basic services, such as transport and energy, with the result that, in the Argentine economy, internal bottlenecks are added to those of external origin to which attention has already been drawn.

To all this must be added the upheavals caused by inflation and the various attempts to control its effects, which have only led to worse evils. Among these countermeasures I would refer especially to the subsidies which, in order to protect the consumer, reduced the incentives to export activities, either because of the low prices paid to the producer or on account of the excessive domestic consumer demand promoted by

/the subsidies

the subsidies to the detriment of exports, This policy defeated its own ends, since a reduction in exports also meant a contraction of imports, thus depriving industry of the necessary means of expanding its production whereby to supply the consumer with a growing volume of commodities.

Our study is not confined to elucidating the facts. At the request of the Government, an attempt has been made to suggest certain elements which, were it so desired, might serve as a guide in the formulation of a far-reaching economic development programme. Thus, we have analysed the development possibilities of the different sectors of the economy, made an approximate estimate of capital requirements for the next ten years, and examined the means whereby the Argentine economy could provide increasing amounts of this capital out of its own savings, as well as the supplementary foreign capital that would be required.

In all this work ECLA's new technique of analysis and projection of economic development has been applied, and we are more than ever convinced that it constitutes a very valuable element in the programming of development. While touching upon this point, I feel that a misapprehension may well be cleared up here. The insistence in our secretariat studies on the need for programming economic development has sometimes given rise to the belief that we advocate the centralized control of the economy through authoritative State programming organizations which tend to stifle private enterprise. Yet this has not prevented others from attributing to us a diehard faith in the

classic norms of the free interplay of economic forces because we have called attention not only to the inefficacy but also to the dangers of certain forms of State intervention. The staff members of ECLA have never participated, in their official capacity, in controversies of this kind. As responsible members of the United Nations staff we are bound to preserve a strictly impartial attitude to such matters, whatever our private beliefs or convictions may be. The United Nations gives technical assistance, but it does not offer this brand of political assistance.

With the addition of Argentina to the list, there is now a considerable number of countries for which, after careful analyses, we have prepared the projections of economic growth referred to. Apart from their application in each country's domestic programming, projections of future demand and of the prospects of meeting it have once more persuaded us of the need to encourage inter-Latin-American trade. The more advanced countries of Latin America will have to apply increasing effort to the production of intermediate and capital goods as well as of raw materials deriving from industrial processes, and this generally calls for very complex techniques, high capital intensity and markets broader than any one country can provide. The only way of overcoming this obstacle is a regional market. Such a common market could embrace not all but only a limited number of commodities, especially in the complex industries referred to, although individual consideration might always be given to the case of each of those commodities which at present

frequently encounter substantial trade difficulties. Unquestionably this idea of a regional market will have to overcome a number of obstacles if it is to be converted into a working reality. One of these is the existence of both more and less developed countries in Latin America as a whole. But this distinction could not justify the application of the old cliché of the "division of labour", according to which the industries of the more highly developed countries could dispose of their manufactures on the markets of those at a less advanced stage, in return for their purchases of the primary commodities produced by the latter. On the contrary, a further function of the regional market will be to encourage industrialization in the under-developed countries, and not merely to serve the interests of those which are entering upon the more complex phases of industrial technique.

This whole problem will be the subject of careful study, requested by the Trade Committee. Over-simplification of the question must be avoided. Among the very important aspects to be taken into consideration there is one which an agency of the United Nations could by no means neglect, namely, the relationship between the regional market and the large centres of industry.

I do not think that the regional market will have any unfavourable effects on the mutually advantageous trade between the great industrial countries and the Latin American republics. The capacity to import of the latter is essentially dependent upon their exports to the large centres, and if the whole of

/this capacity

this capacity is utilized, as is always only to markedly the case, there will merely be a change in the structure of Latin American imports, not a contraction. Herein lies the difference. If the regional market is not created, each country will attempt to produce more complex manufactures by itself, and will be faced with all the drawbacks of too narrow a market. There would be no fear of this if the regional market were set up since it would entail all the advantages of reciprocal trade.

It is not in this direction that the factors adverse to Latin America's trade with the great industrial centres seem to me to lie, but rather in a possible attitude on the part of these latter. It is common knowledge that the idea of the European common market has been a source of concern in some countries. A distinction should be drawn between the common market proper, and the preferential arrangements which may be made in favour of certain territories where primary production prevails. As regards the former, it is difficult to see how a more rational organization of the European economy, which will expedite its development, could be prejudicial to the interests of the Latin American countries. The increment in European income is surely more likely to entail an expansion of demand for Latin America's commodities. And this brings us to the second point, for if such increased demand is artificially deflected to other producer regions by some discriminatory régime, it is obvious that what might be a source of mutual advantage would become a handicap to Latin America's economic development, dependent as it is upon trade with the great centres

of industry.

Should this happen, and were Latin America's exports to Europe to undergo a decline, which undoubtedly everything possible will be done to prevent, the Latin American countries would find themselves compelled to adopt a much more intensive import substitution policy, in which case the need to devise effective formulae for intra-regional trade would become still more imperative.

The Trade Committee has clearly recognized that, without a satisfactory payments system which will lead to the gradual abolition of the bilateral régime, it will be impossible to discover such formulae; and it has recommended that the ECLA secretariat should make a study of the problem of payments, in two separate phases concurrently. The first is the stage of improving the existing system of bilateral agreements and initiating multilateral clearing operations on a voluntary basis. The second envisages the possibility of an automatically multilateral régime.

The first of these phases is being very satisfactorily implemented, in our opinion. A few days ago the first meeting of Central Bank experts was convened at Montevideo to recommend appropriate measures. I should like to take this opportunity of thanking the Government of Uruguay and the Banco de la República authorities for all they did to ensure the success of this first technical meeting. These are preliminary steps; and there are experts present here who attended the meeting in question and who can give the delegations information on

/this whole

this whole topic which will supplement the relevant report shortly to be distributed.

The report in question seems to open up hopeful prospects for the second phase. It includes highly significant statistics which have been obtained for the first time in Latin America, thanks to the collaboration of the Central Banks of the countries having bilateral clearing agreements. These figures show that the margin of payments, which would in any event have had to be settled in dollars, is really small. Nor do such outstanding balances represent the last word. It is quite possible that measures designed to encourage trade between the countries concerned by facilitating payments in terms of commodities, might still further reduce the amounts to be liquidated in convertible foreign exchange.

It is important, however, not to lose sight of the picture as a whole, or of the future possibilities in a much broader sphere of international transactions. Convinced as the Latin American Governments seem to be of the advantages of world multilateralism, they will undoubtedly avoid expedients which might, in the course of time, hinder their participation in more liberal international payments arrangements. Even so, international multilateralism should be envisaged not as a fact, but as a possibility. Meanwhile, since there is no way of obtaining sufficient convertible foreign exchange to satisfy the region's increasing requirements of imports from the large centres, it would seem essential to save it in the reciprocal trade of those Latin American countries which are most acutely affected by this

/problem, until

problem, until circumstances suggest more satisfactory solutions. If this were done, and the inflexible mould of bilateral agreements broken, a very effective step would have been taken towards world multilateralism by way of the prudent intermediary stage of a regional multilateral system.

In the spirit pervading the Trade Committee's discussions, exclusive arrangements in this connexion are inconceivable. The formulae devised must embrace all the countries involved in intra-regional trade. And I feel no doubt that this basic principle will be still further strengthened at the present session.

Apart from the resolve to achieve a progressive improvement in the external payments system, favourable symptoms are appearing in the domestic monetary situation. In some countries inflation has assumed disquieting proportions, and the Governments have decided to adopt energetic measures to control it. The obstacles to be overcome are formidable indeed, for among the many disturbing effects of inflation, those of a psychological nature are usually very grave. An unfortunate fallacy has arisen in this connexion. Despite all experience to the contrary, the idea still prevails that mass wage increases, in excess of the levels justified by productivity or by a reasonable restriction of profits, are the way to improve the standard of living of the population. But inflation has never been an instrument of a more equitable distribution of income. When it has any positive effect, a rise in the income of some groups of workers has always been achieved at the expense

/of others.

of others. The example of Argentina provides conclusive evidence of this. Broadly speaking, the entrepreneurs have been little affected by inflation, and not only have been able to protect themselves and, at worst, maintain the proportional relationship between their profits and national income, but they have in fact substantially increased their percentage share during that optimistic phase of inflation which began in 1946 and came to an end in 1949.

For the equitable distribution of income very different instruments must be sought, and the countries which, under the present system, are the most advanced from the social standpoint provide evidence of this. Through responsible and intelligent trade union action, labour is securing a steadily growing share in the income increment deriving from higher productivity, while the political power of the people enables them to utilize taxation with an efficacy formerly undreamt of as an instrument of the progressive distribution of income.

It is of no use to cherish illusions. Inflation is not a weapon of distributive justice; but it may serve as a tool for other purposes. If the aim is to undermine the economic system, throw its dynamic forces out of joint and drag it down to decline and stagnation, then inflation is an excellent, a supremely efficacious, social instrument since it reduces the consumer goods available to the mass of the population, to the undeniable detriment of their standard of living.

However, the struggle against inflation is arduous and thankless not only on account of the psychological obstacles, but also, as so frequently happens, for the reason that, when

inflation results from an excessive expansion of credit in addition to massive wage increases, bank loans must also be restricted in order to curb the inflationary process. And here the consequences are deplorable, since unemployment ensues, first in the activities directly affected and then in the rest of the economy, with the anomalous result of a reduction in consumption and investment, the growth of which is of supreme importance for economic development.

Given the present situation of the countries afflicted by inflation, I see no other practical remedy for this regrettable contraction of the economy than a well-devised programme of foreign investment capable of filling the gap created by credit restrictions. This would be only a temporary measure, until the growth of income permitted greater capital formation on the basis of the economy's own resources.

Thus, the anti-inflationary campaign calls for energetic domestic measures combined with timely and effective contributions from foreign sources. Such a combination of the internal and the international is not easy to bring about. What is more, we have more than once observed that wise domestic measures could in practice make no headway, because the good intentions behind them were frustrated by the community's irresponsible acceptance of inflation.

The struggle against inflation calls for great moral strength, deep and unshakeable convictions and a self-denying spirit prepared to sacrifice the facile concessions rendered possible by highly dangerous expedients to the real and lasting

/interests of

interest of the masses. My spontaneous admiration goes out to the vigorous and enlightened champions of this cause; and it is my fervent hope that the resounding success of their endeavours will ultimately serve as a shining example for the encouragement of those who, in other countries similarly affected, are setting out with equal energy and selflessness on the thorny path towards the control of inflation.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. HUGO MORENO CORDOVA, MINISTER OF FINANCE OF BOLIVIA AND CHAIRMAN OF THE SEVENTH SESSION, AT THE FIRST PLENARY MEETING ON 16 MAY 1957

It is a great privilege to have been appointed Chairman of the present session of the Economic Commission for Latin America, and I wish to express my gratitude to all the delegations for having singled me out for such a distinction. In accepting this high honour, which through me is conferred on my country, I should like to assure you that I will do my utmost to assist the present session, inaugurated under the most favourable auspices, to set up a new milestone on the path of creative undertaking along which ECLA has travelled since its inception.

The Economic Commission for Latin America, which embarked on its activities in 1948, has devoted its entire existence and its every effort to fulfilling and furthering the ideals of inter-Latin-American solidarity and co-operation. At the end of the Second World War, when the United Nations Organization was created, the Latin American peoples sought some form of union under the auspices of the world organization, but with a regional bias which would ensure the understanding and thorough study of the internal problems of these free nations, where the ideals of liberty and the dignity of man are part of the very nature of the heirs of Bolívar,

/San Martín,

San Martín, O'Higgins, Artigas, Martí, Hidalgo, Sucre and the great prophets of our Independence. The special combination of circumstances which followed upon a cruel war was conducive to the acceptance of the four liberties proclaimed by President Roosevelt as the basic principles on which the human race could once more build up its strength and self-respect. Fundamental human rights, the essential principles of international solidarity and the constructive institutions set up to promote the spiritual and material welfare of mankind, found concrete expression in an organization established to foster freedom and brotherhood among the American nations, on the basis of a firm belief in the eternal values which have shaped our Christian civilization. Thus did ECLA come into being.

While the theoretical foundations of our organization are constituted by all that is purest and loftiest in human philosophy, our under-developed countries look to ECLA for methods and means of accelerating their economic growth. But they regard such development only as an instrument for the steady improvement of the standard of living, since, as ECLA has pointed out, economic development is, in the final issue, a social requisite. The progress and perfecting of human society everywhere is at the same time the best guarantee of harmonious social relationships and world security. It is by virtue of these things that human communities can live side by side in accordance with the principles of genuine democracy.

/In our

In our Latin American world, ECLA has become an entity of such vitality, understanding and efficiency that the goals to which I have referred have been brought within reach. Its research, its studies and its expositions of the national and regional problems characteristic of Latin America's industrial and economic development undoubtedly constitute the most remarkable and constructive efforts ever undertaken in this region. Credit may be given to ECLA for systematically and diligently drawing back the veil that used to conceal, and in some cases still obscures, not only the real nature, the magnitude and the complexity of our socio-economic problems, but also the genuine possibilities of development or expansion. The whole of ECLA's activities, its forecasts, its methods, in short, the every-day concerns of its staff, are so many contributions to the guidance and co-ordination of Latin American economic policy; and all are equally useful and substantive. Moreover, the training it offers is invaluable in both the public and the private sectors, in the world of learning and in that of labour, in short, for the Latin American community in general.

The training of economists undertaken by ECLA in co-operation with the United Nations Technical Assistance Administration is inestimably helpful to Governments desirous of putting into practice a development programme aimed at increasing national income and making rational use of the country's resources and wealth. The so-called under-developed countries

/are probably

are probably in more urgent need than the industrialized countries of an élite fully cognizant of the production and productivity targets set up. This regiment of able and honest men, permanently committed to serving their peoples by seeking steadily to raise their standard of living, represents the major constructive contribution whereby ECLA has earned the gratitude of all the Latin American countries. The promotion of their economic development, the efficient utilization of their vast resources, the integration of their economies within the framework of the United Nations, are the objectives which ECLA is undoubtedly achieving for our countries.

This great undertaking has been led by the eminent Executive Secretary, Dr. Raúl Prebisch. The high standard of the work carried out under his intelligent and tireless supervision deserves the appreciation and gratitude of our Governments and peoples. While ECLA's labours during its nine years of existence have been fruitful, they have simply consisted in drawing our Latin American peoples together around the focal point of the realistic and well-grounded analysis of the structural problems besetting their economies. The Executive Secretary, the senior technical experts, the economists, the whole group of executives and scientists engaged in the study of Latin American problems, will be the pioneers who shaped the arduous conquest of our peoples' economic rehabilitation.

/It will

It will be the task of this seventh session to consider the most recent experiences in the field of Latin America's economic development. As on previous occasions, it will draw conclusions of real significance both at our own countries' internal level and on the plane of international relationships.

An over-all analysis of the social and economic situation of the Latin American countries shows - to sum up their salient features - that they are communities occupying vast expanses of territory, that the rate of growth of their population is the highest in the world, and that their economies are weakened by marked structural disequilibria of which the main cause is the fact that they produce and export almost exclusively raw materials, or commodities which have undergone only one of the simpler transforming processes. As a result of these characteristics, the rate of growth of all the components of the economy is inadequate; the upward movement of gross income lacks impetus, and is frequently subject to an adverse terms-of-trade effect; the volume of per capita availabilities of goods and services is one of the lowest in the world; production surpluses that can be used for capital formation are small, and foreign investment is only at an incipient stage and is directed towards the exploitation of primary commodities.

The process of industrialization which has been evolving at different rates in our various countries since the beginning of this century is attributable to several main causes. These include the traditional dependence of the Latin American

/countries on

countries on the industrial centres, with their consequent permanent vulnerability to price fluctuations; the deterioration in their terms-of-trade position, and its almost chronic negative effect on the balance of payments; and, in addition, the natural growth factors deriving from the dynamic forces of the economy itself.

Without detriment to their sources of natural or traditional exports, which provide them with the means of external payment needed for the purchase of the capital goods and the acquisition of the techniques essential to development, our countries have already taken the great step forward represented by the creation of a light industry producing consumer goods. It has thus been possible, up to a point, to substitute domestic production for imports from the great industrial centres, and in this way to create additional purchasing-power which can be earmarked for other goods and services. Now that this phase has reached its height in some of the principal countries of Latin America, it must be extended, not only through the influence of the same factors but also by means of a united and properly-programmed effort, to the other less developed areas still engaged in the tragic struggle of those countries that are dependent upon a single branch of production.

The need to promote and strengthen the process of industrialization in Latin America, devoting to this end all available resources and efforts, on adequate bases, of course, and in accordance with definitely efficacious systems, becomes

/the more

the more obvious and pressing, the more the symtomatic facts already mentioned, together with progress in other regions of the world, make it the sine qua non of our countries' economic growth and social betterment. But industrial progress must transcend the narrow limits of each individual country's market, and requires the incentive that a broader market can give.

A study of the process in question at the present time shows that the adverse factors which are slowing up industrial development in this part of the world comprise not only the shortage of capital and the scarcity of skilled labour, but also the emergence of what the distinguished Executive Secretary of ECLA, Dr. Prebisch, has so happily termed national watertight compartments.

The immoderate anxiety of some of our countries to create industries at any cost, even at the price of protectionist measures which affect the consumer, destroys the chances of access to an optimum market of a similar industry installed in a neighbouring area and in conditions of higher productivity. It is useless to build up an ideal picture in which each country develops only the industry deriving from its natural resources and from its geo-economic position. Cogent factors of another kind exist, which in some areas may promote the establishment of marginal industries that cannot reckon with optimum or even with essential conditions. It is therefore my sincere belief that a programme of systematic and progressive achievements could be drawn up which would lead to the

economic integration of our countries. Such integration implies the culmination of an advanced or higher stage of our present process of industrialization. The Latin American market would thus be genuinely strengthened and a common market would be created. During the ECLA session in 1953, it became clearly evident that this premise had dictated the delegations' action in adopting a resolution which recognized the need to consider "the advisability and the possibilities of gradual and progressive economic integration in the countries of Latin America, as well as the form which such integration should take, determining the necessary measures, procedures and conditions for this purpose."

Pursuant to this and other supplementory recommendations, a far-reaching programme of studies is in full process of implementation in connexion with the project for the economic integration of Central America, the most recent results of which are indicated in the relevant report to be presented here by the secretariat. Another step towards the common goal of economic integration is constituted by the creation of the Trade Committee at the sixth session in Bogotá, "for the purpose of intensifying inter-Latin American trade ..... through a solution of the practical problems which hamper or delay such trade and the preparation of bases to facilitate trade negotiations." This implies not only the overcoming of all the obstacles to intra-regional trade, but a gradual transition from the bilateral systems whose adoption in some

/areas has

areas has been determined by the force of circumstances or considerations of complementarity to a multilateral organization embodying all the characteristics of such a régime.

In compliance with this resolution, the Trade Committee met for the first time at Santiago, Chile, at the end of last year, and adopted important resolutions, of which this assembly will be cognizant. With its usual efficiency, the secretariat has carried out important technical studies on the current bilateral trade system and on the progressive establishment of a multilateral system. These studies cover a number of the implications of such a step, including a payments system, credits and compensation, commodity trade, a regional market and other basic aspects which are set forth in the relevant background document.

This, and other significant developments, represent some of the important advances achieved by ECLA during the short time that it has been in existence. I believe, however, that major emphasis should be laid on the task of strengthening inter-Latin American trade, on the building up of a common market and, finally, the economic integration of the Latin American countries. The ambitious, but not unattainable, target of this integration of our economies is the fulfilment of our common aspiration to secure higher standars of living and integral social progress for the Latin American peoples.

All the spiritual bonds by which Latin Americans are united call for a material infrastructure by means of which a true

/union of

union of our people may become a possibility in the near future. Such a union will mean the creation of a Latin American economic community capable of transcending the factors that hinder it from competeing independently on the world market. For these reasons, and others deriving from the undeniable fact that we are still under-developed and marginal countries as far as economic progress is concerned, we must stregthen our historic ties with others of an economic and monetary type. We must keep pace with the times. The up-to-date outlook of ECLA will put an end to stagnation in all fields and enable our disadvantageous position in world economic relationships to become a thing of the past. This is the motif that it has been my wish to stress, since it is in my view the most important task confronting the Economic Commission for Latin America, and constitutes one of the principal items on the agenda of the present session.

In view of the existence of so positive a demographic factor as the 26.5 per cent increase in the population of Latin America during the last decade, the need to raise the standard of living of the people becomes even more imperative for Latin America than for the great industrialized countries.

It may be useful to enumerate, however briefly, some of the factors higherto exerting a negative influence on the incipient economic development of our Latin American countries, which for this very reason are termed under-developed.

/To begin

To begin with, there is the relatively slow rate of growth of per capita income, which has failed to reach the levels essential for a speedy and lasting improvement of the existing standard of living. In the most recent ECLA studies only 16.9 per cent (as a gross coefficient) of the Latin American economy's total available goods and services is shown to have been utilized for purposes of capital formation in the last few years. This problem attains alarming proportions in some of the individual economies, as, for instance, in that of Bolivia.

On this account it is urgently necessary to create the juridical and social conditions and the atmosphere of confidence which are likely to encourage and attract foreign investment. Along with capital from abroad obvious improvements in production techniques will be introduced into our industrial development, and this implies an increase in productivity, a basic factor in economic and social progress.

Hence too arises the need to promote the growth of production for export or for purposes of import substitution. This is a means of releasing foreign exchange with which to finance those imports of capital goods that are essential for the acceleration of each country's economic development, besides implying the provision of creative work for new strata of the population which every year appear in increasing numbers on the labour market.

/Undoubtedly, in

Undoubtedly, in the chronic disequilibrium characterizing the balance-of-payments situations of the Latin American countries monetary inflation and economic instability have played and still are playing an important role, and to these factors must be added the over-valuation of the exchange rate. As Dr. Prebisch has so neatly put it, inflation not only perverts the economic system, but is also a manifestation of pressure on the various social groups.

The ECLA studies have made the development, causes and pernicious effects of inflation as clear as noon-day, and represent very valuable contributions not only to monetary history but also to the programming and technique of economic development. They reveal both the importance and the feasibility of achieving such development in combination with a sound monetary situation.

Thanks to these studies, Latin America is beginning to acquire a clear consciousness of its economic structure, of its rate of growth and of the dynamic elements which give it impetus. We are also aware nowadays of capital requirements and the rate of investment, and we have been led to realize, through the ECLA economists' qualitative analyses of structural changes, the influence and importance of industrialization, especially in relation to the mechanization of agriculture and its influence on the other sectors which contribute to economic development.

The ECLA secretariat, in accordance with what is now its established custom, has presented extremely significant reports

/and studies

and studies on the topics to be considered at this session.

I feel certain that your talent and abilities, and the advice of the technical experts, will enable us in the next few days to give a new impetus to the upward progress of the Economic Commission for Latin America. One more link will be added to the golden chain of inter-American solidarity; and there can be no doubt that the goodwill and the lofty aspirations common to all the inhabitants of Christendom will permit the attainment of higher standars of living, a true economic democracy, a nobler human dignity and a purer spirit of understanding and co-operation, in accordance with the inviolable principles of liberty and justice that are inseparable attributes of our peoples.

Yesterday, gentlemen, His Excellency the President of Bolivia offered you greetings and a heartfelt welcome from the Government and people of Bolivia. It is with the sincerest pleasure that I once more express these same sentiments. In thanking you again for the confidence you have placed in me, I wish this session every success in contributing towards the creation of equally progressive conditions and equal hopes for the future for all the Latin American peoples. In the broad field of our common history fruitful seeds of progress will be sown, in conformity with the inseparable community of interests in which we are linked by our lineage and our lasting desire for peace, freedom and justice.

Information document No.7

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. RICARDO TORRES GAITAN,
CHAIRMAN OF THE DELEGATION OF MEXICO, AT
THE SECOND PLENARY MEETING,
17 MAY 1957.

Mr. Chairman, Gentlemen: The Mexican delegation wishes to echo, with enthusiasm and deep fraternal feelings, the words of Dr.Hernan Siles Zuazo, the President of the Republic of Bolivia, in his inaugural address. The five decades of the Mexican revolution, a determined effort to break with feudal production method and social life, have awakened in the people of Mexico the consciousness that economic development is one of the most dramatic happenings of our time, that its main feature is the struggle to overcome the many obstacles which hinder access to the better standard of living provided by world scientific and technical advances, and that the yardstick for measuring national effort is still not universally recognized. We wish to offer our greetings to the Bolivian Republic and to express our conviction that its people will ultimately overcome those ever serious difficulties which accompany the elimination of backward economic and social standards of living.

Mexico's economy continues to present an encouraging picture. This is the outcome of determined action by the Government and people of my country to open the best channels for development to the resources generated by productive

/activity. The

activity. The tremendous transformation tasks, such as irrigation of new lands, water catchment and control, opening of new roads, the electrification policy, education and elimination of disease - together with a fiscal, monetary and credit policy whose aim is to raise the standard of living of the Mexican people - constitute the essence of our contry's progress.

The expression of this national effort, still precarious but essential for economic analysis, in assessable terms shows that the national product in 1955 increased by 10 per cent over that of the previous year, and, in 1956, by the slightly lesser figure of 7 per cent. In more meaningful terms, the production of goods and services during the latter year was a little more than double our population growth. This increase of the national product was mainly due to the utilization of domestic saving, which financed approximately 82 per cent of total national investment.

Against these positive factors encouraging the growth of Mexico's economy, there are others which indicate that 1956 should show less impressive results than 1955. The chief domestic factors were extreme weather conditions: droughts, typhoons and floods, as may be expected in Mexico, that land of contrasts. These natural phenomena are not only difficult to forecast, but their occurrence and destructive action are also beyond our control.

The greatest external influence was the impact on world markets of the United States policy of disposing of the greater

/part of

part of its cotton stocks. This, as distinct from the natural phenomena, was predictable, and could be controlled by lessening its effects on Mexico's economy by means of suitable fiscal and trade policy.

These events constituted a deterrent to the economic development of our country. But they were only a deterrent. Mexico continues to employ every man in the struggle to improve its standard of living, still so far from being satisfactory. To do otherwise would be dangerous self-delusion. It would be even more dangerous since it affects over 30 million Mexicans today and, in some five decades, will affect 90 million.

The Mexican delegation is convinced that its sister countries of Latin America, which are also concerned with the future, each have their own experiences, which will prove most important when they are studied and appreciated, not from the point of view of the policy or the problems peculiar to each country, whose solutions lie with their own institutions, but rather in the light of the future of Latin America as a continental unit.

Once this criterion is adopted, there appear to be two types of problems, in whose presentation and break-down the Economic Commission for Latin America could find a fertile field of action:

I. The integration programmes of other groups of nations must be judged immediately by their positive or negative effects on the economic development of the Latin American

/countries as

countries as a whole. By approaching the other regional commissions, the ECLA secretariat would undoubtedly obtain ideas enabling us to foresee how the necessary mutual study of countries could be undertaken, in accordance with the declared Principles of the United Nations.

II. From the point of view of Latin America's economic development, the studies made by the Commission must be arranged in order of priority by selecting those aspects of the region's economy which are most urgent, and in respect of which neglect would prejudice our countries as a whole, or would at least cause a delay, regrettable even though slight, in national efforts to achieve economic betterment. No detailed discussion of the importance of latent problems in the foreign markets of the Latin American countries appears to be necessary. These problems could develop in many ways: the deterioration of the terms of trade, the supplementary action which the International Bank for Reconstruction and Development and the International Monetary Fund could take to strengthen domestic financing programmes and the difficult and delicate monetary stabilization policies.

These and other subjects must be examined urgently, in spite of the fact that the necessary means for their complete study may not be immediately available.

The Economic Commission for Latin America could play an important part in promoting relations with other United Nations regional commissions and in the study of the most urgent problems of the region.

/Examining Latin

Examining Latin America's problems from within, it is also possible to establish an order of priority: priorities may vary between countries, but the following points of common interest might possibly be raised.

1. Interchange of experience in the Latin American countries between the Government bodies or institutions responsible for economic development, agricultural and industrial development, transport problems, etc.;

2. Technical assistance with a view to improved programming of industrial development, as a general service to member countries;

3. General advice and interchange of experiences on the accumulation of domestic savings;

4. General advice on improvement of statistical services.

In addition to these subjects, which have been studied by various United Nations organizations, the Mexican delegation would like to stress that it is important and urgent that ECLA should co-operate to the maximum in the study of problems in the following three wide categories:

(a) The training of the labour, especially industrial labour, needed for Latin America's economic development, at its various vocational, semi-professional and higher technical levels;

(b) Studies of the more important natural resources: agriculture, forestry, minerals, fishery, etc;

(c) The better organization of technological research

/services especially

services especially scientific research applied to agriculture, and technological research into the utilization of waste, industrial use of domestic raw materials, and the technical and economic application of our economies to orthodox industrial processes.

My delegation wishes to state that the study entitled "External desequilibrium in the Latin America's economic development: the case of Mexico" constitutes an important advance in the context of the suggestions we have just made. In order that the contents may be studied properly, we have handed this document to a commission consisting of economists from the Departments of Finance and Economy, the Banco de Mexico, and the Nacional Financiera, a commission specially formed more than a year ago to study Mexico's economic development problems. Our Government will transmit its observations to ECLA through the normal channels, and the Mexican delegation will therefore refrain from discussing this document. At the same time we would take the liberty of suggesting that the secretariat of ECLA should be authorized to prepare a paper on the methodology employed in the study on Mexico, so that it may be studied by the specialized economic research and planning organizations of the various Latin American countries.

This would facilitate other national studies of a similar character which may be requested by other countries members of this Commission.

We wish to express our sincere appreciation of the notable

/effort of

effort of the ECLA secretariat to allocate some of its most distinguished economists to the study of the case of Mexico. We venture to hope that this study may set an example of fruitful collaboration for the studies which may be made by the United Nations specialized agencies.

We have found certain discrepancies between the data which appear in the Economic Survey of Latin America and official Mexican data, but we believe it would be inadvisable to attempt to coordinate them during the present discussions.

Mr. Chairman, Gentlemen:

The Mexican delegation wishes to express its complete conviction that the co-operation between the Latin American countries in determining and solving their common problems, the increasing maturity of ECLA and the meritorious technical work of its secretariat constitute an important step, to quote the words of the President of Bolivia, towards the attainment of international understanding and peace.

Information document No. 8

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session

La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. WASHINGTON P. BERMUDEZ, CHAIRMAN OF THE INTER-AMERICAN ECONOMIC AND SOCIAL COUNCIL, AT THE SECOND PLENARY MEETING, 16 MAY 1957

It is a great pleasure for me to speak on behalf of the Inter-American Economic and Social Council of the Organization of American States. This new session of the Economic Commission for Latin America, which it has been possible to hold in this beautiful city of limpid skies and pure air through the hospitality of the Bolivian Government, is of particular importance because of the increasing demands of our peoples that solutions should be found to their many problems, and in view of the advances in economic development to be seen in other areas of the world.

The dramatic progress of the European countries in establishing a solid unit which will strengthen the economy of that region, already rich in financial capacity and technology, and the association of vast territories with ample natural resources and with immense productive potential, make Latin America very much aware of the immediate need to adapt itself to the changing world economic conditions. In regard to the world economy, a process can be seen similar to that which is taking place in the industrial world: the merger of enterprises in order to achieve greater financial and productive capacity, increased technological resources, reduced costs and, in general, the greater solidarity required to meet the increasing complexity and

/difficulty of

difficulty of commercial transactions.

Without wishing to detract from the importance of other items on the agenda, it is obvious that in the minds of the representatives the first necessity is to increase inter-Latin American trade. European experience has brought this problem to the fore. Here, ECLA has as usual afforded its valuable assistance, which began with the initiation of the work of the Trade Committee at Santiago. Recently at Montevideo, in compliance with a resolution of the Trade Committee, experts of the Latin American Central Banks met to discuss payments agreements. The outcome could not have been better, as the representatives will see when they read the relevant report to be distributed here today.

Another experience which merits close attention is the progress made by the Central American countries in their efforts to establish a regional market and a system of integrated industries. I was present at the fourth session of the Central American Economic Co-operation Committee, held in Guatemala in February 1957, and had the opportunity to appreciate the magnitude of the achievements. The report which is to be considered by the delegations here offers certain formulae of great interest to the other countries of the hemisphere.

At the Trade Committee session I told you that the Inter-American Economic and Social Council would collaborate enthusiastically in the work of ECLA on inter-Latin American

trade. I announced at that time our interest in the problem of standardization of Latin American production. Today I may tell you that, in September or October 1957, on a date to be fixed in due course by the Brazilian Government, the first inter-American meeting on technical standards will be held at Rio de Janeiro.

During the Santiago meeting I also had the pleasure of engaging in interesting conversations with Dr. Prebisch and his associates on the subject of establishing better working co-ordination between the two organizations. At the beginning of this year representatives of both secretariats met in Washington, and a better understanding was reached. We would take advantage of the opportunity offered by this session to improve even further this aspect of the activities of the two organizations.

This co-ordination is more important today than ever before if the tremendous efforts which are being made are to succeed. Latin American anxiety is apparent from the number of meetings which have been held, and which will take place this year. The meeting of the Inter-American Committee of Presidential Representatives has just finished in Washington. We are here today to examine problems of the greatest importance. On 15 August, at Buenos Aires, the Conference of American States will commence. These circumstances give a special character to this seventh session of ECLA, which all America is following with interest and anxiety.

All these activities should undoubtedly be supplemented by

/one further

one further stage. The Europeans have already set the example. We, the Latin Americans, have been considering a similar solution which brooks no delay: the creation of an inter-American institution for financing economic development. The Buenos Aires Economic Conference has this item on its agenda, and the Ministers of Economy of the hemisphere will take up the problem at that meeting.

To conclude, in expressing my warmest congratulations to the Executive Secretary of ECLA on the excellence of the studies presented and on his brilliant speech of this morning, in which he presented, with all the clarity and forcefulness to which we are all already accustomed, the basic aspects of economic development in Latin America, I wish once again to express to the Government of Bolivia my gratitude for its hospitality and my sincere hope that these discussions will be successful.

Information document N° 9

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session

La Paz, Bolivia, 15 May 1957

FAO - ECLA CO-OPERATION IN LATIN AMERICAN ECONOMIC DEVELOPMENT

Address by Mr. M. Ezekiel, Deputy Director, Economics Division, FAO

to the

United Nations Economic Commission for Latin America

La Paz, 16 May 1957

It is a great pleasure for me to participate in this session of the Economic Commission for Latin America, and to speak on behalf of the Food and Agriculture Organization of the United Nations. I have long been greatly interested in Latin America and its progress and I have followed the work of ECLA closely. I therefore welcome this opportunity to meet you first hand and to take part in your discussions.

Much has happened in Latin America since Mr. Boerma, Director of the Economics Division of FAO, addressed you two years ago. Food production has begun to expand more rapidly and, taking Latin America as a whole, it has now nearly caught up with population growth. For the agricultural crop year from mid 1956 to 1957 food production per capita is estimated to be only 3 per cent below the pre-war average. Total farm production, food and non-food, is estimated to be about 4 per cent lower. If Argentina, with its special problems, is excluded,

/per capita

per capita food production for the rest of Latin America is about 10 percent above pre-war. Your efforts, through ECLA and otherwise, to expand industry for agricultural purposes have also been generally successful. From 1945 to 1955 Latin American agricultural output grew at an annual rate of 4 per cent per year, while manufacturing increased 6 per cent per year, and other sectors of the non-farm economy likewise exceeded the rate of growth in agriculture. The continuation of this rapid increase in the physical volume of production, both in industry and in agriculture, should help to solve the inflationary problems to which the ECLA session of two years ago devoted so much attention.

But the Survey also shows that many countries now face grave problems in maintaining that progress without inflation. A number of the countries members of ECLA have made progress along the lines of the resolutions of your last session concerning the selective expansion of farm production, the programming of agricultural development, and the increased emphasis on livestock production. The joint work being carried out by the staffs of ECLA and FAO on these and related problems is directed towards promoting such progress. FAO technical assistance experts on agricultural programming, and on the improvement of marketing and production technology, have been sent to many countries at the latter's request. These experts have contributed to the achievements already made, and many are

/at work

at work today in almost every country. A number of Latin American countries now have established central or agricultural programming units in their governments and agricultural programming experts of FAO are advising them. This agricultural and economic advance programming should help to maintain a balance between development programmes and resources and to promote future progress without inflation.

In speaking of the joint undertakings of ECLA and FAO I should make special mention of the country studies in Argentina and Bolivia and the one now beginning in Peru. Such studies cover comprehensively the economic problems of these countries and suggest solutions to promote balanced development.

In the case of Bolivia, our host country, FAO was deeply interested in the agricultural section of the study. From the document presented to this meeting it will be seen that agriculture in Bolivia is extremely under-developed, as the result of complex social, economic and administrative factors, and that this agricultural backwardness is one of the main obstacles to the general economic development of the country. There is a very great deal that can be done to improve the situation of Bolivian agriculture, without necessitating technical or financial efforts beyond the country's actual possibilities. I can assure you that FAO is ready to offer all possible assistance to help Bolivia overcome the obstacles to its agricultural progress.

In accordance with the resolutions on the economic

integration of Central America, the countries of the region are making steady progress towards the co-ordinated development of their economies and the establishment of a common market for certain commodities. This progress has been aided by the special technical assistance provided by ECLA, FAO and other international organizations. The project for a paper, pulp, and forestry products plant to serve all Central American countries is far advanced, assisted by the FAO forestry and economic planning and appraisal experts who have worked as members of the regional staff. Similar work is now under way on grain and livestock marketing which in time should contribute to greater regional integration in the production, marketing and consumption of these products also. I am happy to note in the report before you that these aspects of the work, carried out under the guidance of FAO technicians, constitute such an important part of the progress made.

Two years ago growing commodity surpluses presented difficult and almost insurmountable problems. Since then a real start has been made with a view to the orderly disposal of those surpluses. In accordance with your resolution on the subject, nations not only in Latin America but throughout the world have followed the general line of the FAO Principles of Surplus Disposal in dealing with the problem. They have made increasingly effective use of the Washington Sub-Committee on Surplus Disposal, and its parent Committee on Commodity Problems, as consultative forums through which to discuss the difficulties

/involved. At

involved. At the present time four Latin American countries are full members of the Sub-Committee and twelve others and the Organization of American States are attending as observers. Substantial progress has been made in using the available agricultural surpluses as a means of financing additional economic development in recipient countries, without displacing imports from the usual suppliers, along the lines explored in a special FAO pilot study on this subject. Very recently, increasing attention has been given in FAO and in the United Nations to the use of surplus commodities to assist countries in establishing national reserves as a protection against crop shortages and sudden increases in consumption resulting from economic development. This is somewhat akin to the use of storage to equalize seasonal price fluctuations, which has made good progress in several Latin American countries, aided in several cases by FAO marketing experts. The possibilities and problems of national reserve stocks are being further explored by the Washington Sub-Committee, and will be considered by the next FAO Conference. Had such reserve stocks been in existence in other Latin American countries, they might have helped to check some of the recent inflations.

The joint ECLA/FAO study on coffee conditions and prospects, which you requested in a special resolution, is now well under way. The field work has been completed in two countries, El Salvador and Colombia, and the provisional report for El Salvador is before you for consideration. I shall refer to

/its findings

its findings shortly in another connexion.

In his statement two years ago, Mr. Boerma referred in particular to the extreme dependence of Latin America on a few export commodities, mostly agricultural ones. We have given further study to this question, and FAO has prepared a special brief study entitled "Prospects for Latin American exports of agricultural products." Since this paper has been placed before this meeting, I will only summarize its main conclusions briefly.

Despite the growth in Latin American industry, agriculture continues to provide almost three-fifths of the gross export earnings. In recent years, these farm exports have been able to pay for more than twice as much industrial imports (in physical volume) as before the war. This increase in purchasing power has taken place with practically no change in the aggregate physicial volume of the agricultural exports. It reflects the fact that recent prices for agricultural exports have been much more favourable than they were just before the war, or even over the whole period from 1920 to 1938 on the average. This relatively favourable situation for Latin America as a whole (also referred to in the Survey) is due to the fact that the long-time trends in world trade show sustained rates of increase in demands for tropical products, which most importing countries cannot produce for themselves, and for wool, which is now a sub-marginal product in most importing countries. The demand for certain other products, in respect of which

/growing domestic

growing domestic production in importing countries is more or less offset by increasing requirements, has been fairly steady. World demand for other products, which most countries can more readily produce for themselves, have been declining. About 75 per cent by value of all present Latin American agricultural exports belong to the first two categories, and almost 60 per cent - coffee, cocoa, bananas, and wool - are in the first category characterized by rising world demand. The River Plate countries, however, are less favourably situated. Recovery of food production in Argentina should substantially increase that country's shipments of wheat, maize and beef for export. World trade demand for these commodities has been static or declining. If, however, rapid increases in incomes and import purchasing power in Latin American countries should continue, and if Argentine domestic industrial production and urban purchasing power should expand rapidly, this might help to create adequate markets for restored Argentine food production despite the rather unfavourable trends of world market demands for most of its traditional exports.

The future amount and dependability of your foreign exchange earnings are affected by two other factors. The first is the instability of prices of individual commodities. These sudden changes seem to be due to the fact that, which low prices encourage consumption, declining prices reduce sales, and rising prices increase sales. These reactions, contrary to

/usual economic

usual economic theory, reflect inventory cycles and speculative reactions. They often produce shifts in prices of individual commodities such as coffee, cacao and sugar, for more sudden and extreme than is justified by underlying supply and demand conditions. The new price levels may nevertheless persist for considerable periods. Extreme price rises, in turn, may change consumption habits and lead to a long-continuing reduction in the level of demand for individual commodities such as cacao. International commodity groups and working parties must try to find ways to understand and moderate these erratic price movements, and some day, commodity reserves may help.

The second factor is the tendency, since the war, for the prices of heavy durable goods to rise out of line with those of consumer goods and farm products. This tendency has been marked in the United States, and probably has also occurred in other leading industrial countries. It seems to reflect the strong bargaining power of both great corporations and powerful labour unions in the heavy goods industries. This has enabled such industries to retain for themselves, in rising real wages, prices and profits, more than their share of the increasing national production and real income. This tendency may have been reinforced by the large volume of public defence and armament expenditures on heavy industrial products. Latin American countries, which predominantly export raw materials and import industrial products, may eventually be concerned with the effects of this tendency on their international terms

/of trade.

of trade, even though many of your major exports still retain much of the unusually favourable price situation created by the Korean boom.

In addition to these points which were recognized and stressed two years ago, some other problems have emerged more recently. One of these is how far farm prices may be held down without discouraging the maintenance or expansion of farm production. In a number of Latin American countries, levies on exports, either directly as duties or indirectly as exchange controls, have been used as one of the main sources both of Government revenue and of foreign exchange for capital investment. These fall largely on agricultural exports. Some levies of that sort may be justified, especially in times of high levels of prices of individual commodities, to prevent too much of the export earning going into increased domestic consumption, and too little into capital for economic development.

But such levies call for a close consideration of two dangers. On the one side, if too much of the income is drained away from producers, they will not be encouraged to expand production enough to keep pace with rising domestic and possibly international demand. Our ECLA/FAO report on the coffee survey for El Salvador indicates that something of that sort may have happened there. On the other hand, if producers receive the full impact of unusually high prices, they may be encouraged to overplant to an extent that may threaten later overproduction and reduced export earning, such as has happened to different

/commodities several

commodities several times in the past. And even if Latin American countries hold production within safe bounds, other regions may encourage production more actively and affect the international market.

It should be emphasized, therefore, that taxes or exchange-control levies on favourable export crops or products must be imposed with great care and discretion, if they are not to discourage needed expansion in the production of commodities countries are best fitted to produce. Here, as elsewhere in tax policy, one must be careful not to "kill the goose that lays the golden eggs".

All aspects of Government supports and price controls in agriculture were given serious study last autumn by a working party of experts designated by Governments. Of the thirteen countries represented, two were Latin American countries, Argentina and Brazil. The working party's report on agricultural support methods - a concise document of over 70 pages - represents an important step forward in classifying and describing the different kinds of measures in use, appraising their affects on farmers, consumers, surpluses and international trade, and suggesting general criteria regarding the ways in which the most effective methods might be established and operated. This report will go before the FAO Conference this autumn for its consideration and action. One eventual possibility would be the evolution of an international code of recommended

/behaviour in

behaviour in farm price supports and controls, similar to the code for surplus disposal operations.

Substantial progress has been made in many Latin American countries during recent years in developing more effective extension methods to provide farmers with more information on ways of improving agricultural production, and in making credit, machinery, fertilizers and irrigation water available to them. This is reflected in the increases in output per man and per hectare reported in the Survey. But some other governmental policies have worked in the opposite direction.

In the effort to encourage industrial production and keep food prices and urban wages low, a number of Latin American countries since the war have kept prices paid to farmers so low that their agricultural production has either declined or failed to grow commensurately with needs. Argentina, Chile, at times, and our host country, Bolivia, are all examples. Many of these countries have recently adopted policies of giving farmers better prices to encourage more adequate food production, but have then been faced with the unrest of urban workers accustomed to lower food costs. Explaining the reason for the changes does not seem sufficient to secure the acquiescence of those who have to pay prices higher than those to which they have become accustomed. Finding the right solution to this dilemma will call for statesmanship of a high order, not only on the part of governmental leaders, but also of leaders of

/labour and

labour and of agriculture. The two voluntary gifts from Bolivian communities to their Government, reported in the La Paz newspapers yesterday, are most hopeful signs. They may indicate that devoted leadership can stir democratic citizens to win the battles of peace and progress as well as those of war and destruction.

One other problem which deserves attention is the question of the place of manpower in planning economic development. In Latin America, as in other less-developed regions of the world, economic development is often held back by shortages of the skilled manpower essential to plan and carry through development projects, even when funds are available to finance them. In the agricultural field, this shortage is evident in the difficulties many of your development agencies are experiencing in recruiting expert staffs to plan their operations and to administer the projects. We in FAO face similar difficulties in recruiting enough international economic experts with the training and skill to give Governments the counsel and advice that increasingly you are asking us to provide. Not only skilled planners, administrators and technicians are needed, but experienced foremen and other supervisors, and well-educated factory operatives, farmers, and general workers who can read, understand and apply blueprints and other complicated instructions.

Programmes of national or regional economic development should devote attention to planning for adequate skilled

/manpower, as

manpower, as well as to planning for the roads, dams and factories. It takes far longer to educate and train highly skilled men and women than it does to design and build a complex hydroelectric plant. Solving this problem may involve not only expanding schools, colleges and other educational institutions, and equipping them with competent faculties, but also taking necessary steps to attract promising students and to keep them in the field after they have graduated. Too many professional agricultural colleges in Latin America are operating at only half their existing capacity. To stimulate more attendance Government service needs to be on a par with other employment as far as pay, prestige and opportunities for advancement are concerned. The men who plan, manage and teach in the economic development of a country, or who run its essential public agencies, are just as important as those who buy and sell its products. They should be well paid and should devote their full time to that work in return.

FAO, in collaboration with the Inter-American Institute of Agricultural Sciences, is now completing a study of existing facilities for training professional workers in Latin American colleges and universities, in relation to present and prospective needs for such workers to carry out the programmes of agricultural development. I am glad to note the attention the Central American Economic Integration Programme is giving to this problem. ECLA might care to consider what additional emphasis,

/if any

if any, should be placed on this manpower aspect of economic development in its future programme of work and in individual countries. In this field of training and education, Governments can of course obtain assistance from each other, the United Nations specialized agencies, such as ILO and UNESCO, and from the United States and philantbropic aid programmes, as well as from FAO in the field of agriculture.

Other activities in the ECLA/FAO programme of potential great importance to the countries of the region are the study of farm price policies of the countries of the region, soon to be completed; the participation of our organization in the Pulp and Paper Advisory Group together with experts of ECLA, FAO and UNTAA. It is planned, with respect to forestry products, to study the tendencies in lumber production in Latin America, and of commercial timber production, in which all these organizations will likewise participate.

In a later intervention, I shall deal at greater length with other specific activities in which FAO is engaged and which are of interest to Latin America, as also with the situation and prospects of some of the commodities of greatest interest to you and the status of international action concerning them. Here I have tried to confine myself mainly to the issues in the agricultural field with which this body itself has already been concerned, to the joint work your staff and that of FAO have been doing in connexion with them and to their relation

/to some

to some of the wider problems of Latin America. FAO greatly values this co-operation between your staff and ours, for we feel it enables us to come to closer grips with the key problems in your region without overlapping or duplicating. The further proposals and suggestions in this field which may evolve during this session will be of great interest to FAO, and I feel sure that the Director-General will do everything possible, so far as the resources available to him allow, to take energetic action regarding them.

ECONOMIC COMMISSION FOR LATIN AMERICA
Seventh Session
La Paz, Bolivia, 1[illegible] May 1957

ADDRESS DELIVERED BY MR. JORGE DEL CANTO, REPRESENTATIVE OF THE INTERNATIONAL MONETARY FUND, AT THE SECOND PLENARY MEETING, ON 16 MAY 1957

It is a very great pleasure for the organization I represent, the International Monetary Fund, a United Nations specialized agency, and for me, personally, who have followed ECLA's activities since its inception and even during the preparatory stage of its establishment, to participate once again in ECLA's brilliant discussions.

Our agency has always maintained close and cordial relations with ECLA, and we fully appreciate the magnificent work which it does for the better understanding of Latin America's social and economic situation and current problems. We wish to join the many representatives who have paid an enthusiastic tribute to the excellent leadership given by Dr. Raúl Prebisch to a select group of economists - particularly from Latin America - who carry out this work with such high technical standards.

Even at the risk of repeating well-known facts, I wish to stress some aspects of the Fund's work, and then to add some comments on the brilliant outline of ECLA's activities given by Dr. Prebisch. As the delegations are well aware, the Fund was established to foster financial and international co-operation, to facilitate the balanced expansion and development of

/international trade,

international trade, to promote monetary stability and to contribute to the establishment of a multilateral payments system, free of exchange restrictions. On the course of this work, the Fund engages continuously in technical and financial activities in close collaboration with the financial authorities of the member countries. In addition, and particularly during recent months in which member countries have made more liberal use of the Fund's resources, the Fund has given new impetus to its technical guidance activities by assisting those countries which are facing temporary balance-of-payments difficulties. At the same time it has lent support to the stabilization policies adopted by many member countries, including several in Latin America. The Fund's possibilities of extending financial aid are naturally limited according to the size of the quotas contributed by each country and, by definition, the Fund cannot participate in the financing of long-term economic development projects. The International Monetary Fund operates exclusively as a rotary fund, to finance short-term or medium-term operations for a maximum period of three to five years.

Some figures will serve to illustrate the financial activities of the Fund. Among the Fund's operations in the last six months, it is important to mention the fact that the United Kingdom used up its entire quota in order to maintain the pound at its present exchange parity and to prevent the re-establishment of external controls which would have entailed

/a setback

a setback in the process of liberalizing the country's trade and payments situation. Other important developments were the stand-by operation, carried out in October 1956, whereby France used half of its quota, and the combined draft and stand-by operation with India, effected under similar circumstances early in 1957.

The delegations will, however, be more interested in knowing that in the last few months a number of operations have been undertaken with Latin America, although, naturally, the size of the sums involved - proportional to the quotas of these countries - is not comparable with the level of the operations with Europe.

In Latin America, the Fund has conducted two kinds of operations in the past six months: (1) drafts to cover temporary balance-of-payments difficulties, and (2) loans to aid the stabilization plans which some Latin American countries have initiated. Among the first drafts, mention should be made of the 2.5 million dollars (the total quota) assigned to El Salvador, 2.5 million dollars to Honduras (also the total quota), 2 million dollars to Paraguay, 1.9 million dollars to Nicaragua and a combined draft and stand-by operation with Cuba to the amount of 25 million dollars. Finally and more recently, a draft for half the quota, or 75 million dollars, was agreed on with Argentina. The balance-of-payments deficits of the Central American countries are due to the loss of part of the coffee crop, while in Argentina they were caused by the loss of part of the maize crop and the effect of the Suez crisis

/on the

on the cost of petroleum imports. Stabilization credits have been granted by the Fund to these South American countries, in close co-operation with the United States Government, and in some cases (Peru and Chile) in conjunction with private New York Banks. The joint volume of stabilization credit has thus been quite large. For example, in November 1956, a 25-million dollar stabilization fund was contracted for with Bolivia, of which the Fund contributed 7.5 million dollars. In February, 1957, a joint stabilization credit amounting to 30 million dollars was extended to Peru. The Fund contributed 12.5 million dollars. In April 1957, a 70 million dollar credit for stabilization purposes was extended to Chile, of which the Fund provided 35 million dollars.

I have mentioned these financial operations of the Fund in order to correct the erroneous, though unfortunately widespread impression that the Fund has not been sufficiently active in Latin America. The impression has arisen because the Fund acts discretely and without publicity in advising the financial authorities of the member countries, which receive the credit to which they are logically entitled according to the policies they adopt to enforce greater financial discipline in their countries. Yet, I wish to stress that this advisory work is just as important to the Fund as the financial assistance it renders, perhaps even more. This aspect of the work is carried out by financial missions, by constantly sending experts to the field and by means of the consultative machinery provided by the Fund for its members, which consists

/in holding

in holding annual consultations with all the member countries - still a large number - which maintain exchange restrictions.

We have always found ECLA's activities to be valuable in our work, because they provide a very wide and realistic basis for the appraisal of the individual economies of these countries. We concentrate on the financial aspects - balance of payments and the exchange, monetary, credit and fiscal situation - of these countries.

We have noted with pleasure that, as Dr. Prebisch stressed in the morning session, much importance is being attached to the need to promote economic development in a non-inflationary climate. Dr. Prebisch's attitude is a kind of religious axiom for the Fund, because our experience in Latin America shows that, in the final analysis, inflation frustrates the purposes of economic development. We have also been particularly interested in the emphasis placed by Dr. Prebisch on the direction taken by the activities of ECLA's Trade Committee, which aims at expanding inter-Latin American trade and minimizing the payments problems of these countries. As Dr. Prebisch said, ECLA's endeavours should not conflict with the efforts made by the Fund's member countries to bring about a gradual elimination of bilateral practices, to ensure a greater degree of monetary transferability and convertibility and to remove progressively all trade and payments restrictions. The work to be carried out by the Trade Committee during the present session of ECLA will be of special interest to us, the observers for the Fund.

To conclude, I wish to convey the best wishes of the agency

/I represent

I represent for the success of ECLA's session in La Paz and I wish to reiterate our most sincere desire to continue to collaborate, as in the past, on those matters concerning which the delegations and ECLA may consider that our technical contribution will be most useful.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh session
La Paz, Bolivia 15 May 1957

ADDRESS DELIVERED BY MR. ROBERT BURON, REPRESENTATIVE OF FRANCE, AT THE THIRD PLENARY MEETING ON 17 MAY 1957

On behalf of the delegation of France, I should like first and foremost to thank the Government of Bolivia for the most generous and courteous hospitality that it is extending to us here in La Paz. The holding of this session of the Economic Commission for Latin America in the capital of the Republic of Bolivia constitutes a further proof of the Bolivian Government's interest in the activities of our Commission and of the efforts it is making to increase its country's prosperity along with that of Latin America as a whole.

I should also like to take this opportunity of warmly congratulating the Executive Secretary, Dr. Raul Prebisch, and the members of the secretariat. It is a genuine pleasure for me to render them a tribute which is the more sincere, inasmuch as, having attended one of the first sessions of the Commission, I am now in a better position to appreciate how encouraging are the results that have been achieved in ten years of international economic cooperation.

But the basic problem that we are considering here is at once the most important for world peace and one of the most difficult to solve from the technical standpoint, since it is, in brief, the whole question of the rapid and co-ordinated development of those countries which have been described as

/still under-developed,

still under-developed, and which we should therefore like to speak of here, on a note of optimism, as "the countries with a future".

Is it not in fact the principal task of this Commission to define, in accordance with the United Nations' principles of economic co-operation, measures aimed at raising the standard of living of this population whose rate of growth is the highest in the world, and to suggest the best ways of attaining such and end?

After the upheavals that the world has suffered during the last twenty years, it is no longer conceivable that any people will continue to resign itself to stagnation and poverty; as His Excellency the President of the Republic of Bolivia so rightly remarked in his inaugural address, one of the greatest successes of the United Nations consists in having defined the conditions of this campaign against under-development without which neither world peace nor the principles of civilization common to us all could be maintained. But if no responsible politician can nowadays shun the duties imposed upon him by this struggle, neither can any expert here present cherish illusions as to the tremendous difficulty of the task that lies ahead.

In the under-developed countries, certain methods which have proved particularly efficacious in the industrialized countries bring the most deplorable consequences in their train. Unfortunately, the growth of the population often outstrips

/that of

that of investment, and the urbanization of the poor but stable rural population entails greater poverty and a profound demoralization.

The technique of development in the countries with a future is primarily grounded on the basic principle of preserving the balance - in the first place, the balance between its economic and social aspects, especially in countries where the improvement of social conditions is the first requisite for true productivity. In this connexion, we cannot overlook the fact that ECLA is the agency of a Council which is not only "Economic" but "Social" too, and we may sometimes feel a certain regret that more emphasis has not been laid on this aspect of economic development. Secondly, there is the balance between agricultural and industrial development, and, within agricultural activities, in which over 80 per cent of the population of this region is still employed, between the production of foodstuffs and of industrial commodities, between supplying the country's needs and producing for export. Moreover, the findings and the instructive conclusions implicit in the secretariat's survey of Latin America's economic situation in 1956 recall the need to diversify agricultural production and to maintain a satisfactory balance between the various activities involved.

Balance must also be preserved, above all in the countries which are at the dawn of their economic development, between the basic industries and those producing consumer goods, as well as in the distribution of the population, to prevent a

/degree of

degree of concentration in the towns which could only be prejudicial to the maintenance of a healthy national economy.

Unfortunately, however, it is not enough to define the principles of a sound development technique for the countries with a future. The financial resources required for the large-scale application of this technique must be assembled, and it is here, undoubtedly, that international co-operation can best fulfil its true function.

In particular, substantial resources are required for the vast projects envisaged in Latin America. It is true that every country concerned must itself supply as large a proportion as possible of the necessary investment. Each of us must therefore promote the growth of national saving and adopt such measures as will encourage local private enterprise to invest within the country, and will prevent the flight of capital abroad. Clearly, in the countries under discussion the process of accumulating savings is beset by difficulties that are not easy to overcome at the present stage of development.

In this connexion it should be recalled that the normal rate of investment in the industrialized countries amounts to twenty per cent of national income -- that is, of a national income <u>per capita</u> which is far higher than in the countries with a future. Consequently these latter, in order to make up for lost time, should register a relatively higher rate of investment. But, obviously, they cannot deprive consumption of thirty per cent of production, or more, without condemning the very people it is desired to help to the severest hardships,

/and without

and without adopting a policy that renounces the very code of civilization on which their ideals are founded. To avoid social upheavals which would still further aggravate the difficulties of the free world, assistance from abroad would seem to be an inevitable necessity. Those of us that are industrialized countries, as well as nations of the free world, cannot refuse to contribute our share.

Foreign co-operation, as has long been clear from the discussions of the United Nations, may originate from two sources. It may take the form of official or governmental assistance, or it may also consist in private capital contributions. The former must be utilized mainly for basic investment in the field of the economic and social infra-structure, in accordance with a necessary conception of programming. We are happy to note in this connexion that the International Bank is making a very considerable contribution to the effort of the Latin American republics, especially in the energy and transport sectors.

Furthermore, we are hoping that the International Finance Corporation, to whose budget the Government of France has contributed over 5 million dollars, will shortly be in a position to support the Bank's action at the level of activities corresponding to the private sector. Nevertheless, these joint efforts can hardly be considered sufficient, and it is our view that, in addition, the intervention of these two organizations should be supplemented by the creation of a United Nations Special Fund for Economic Development. Indeed, the Government of France

/has already

has already expressed at other international conferences its desire that international may gradually replace bilateral assistance, so that all the industrialized countries may participate in the financing of economic development. It has therefore declared its willingness to contribute 15 million dollars to the proposed Fund immediately upon its creation. It is a great pleasure for me to note that many of the countries represented here are prepared to support this proposal, and indeed have for years been conducting a campaign in favour of the new organization; and I would voice the hope that the resolutions adopted at the most recent session of the General Assembly will help to accelerate the materialization of the project.

As regards private capital, it is still our opinion that its contribution is of very particular importance for the development of the Latin American countries, which should take the appropriate steps to provide incentives to such investment in the region. But, apart from this, care must be taken that priority is given to the installation of such industries as are capable of adding to the wealth of the countries where they are established, and will redound directly to the benefit of the peoples concerned.

Clearly, capital by itself is not enough to promote economic development, and technical assistance must also be given to the recipient countries to enable them to turn the resources placed at their disposal to the best possible account. I have pleasure in noting that United Nations Technical Assistance, to which

/my friend

my friend the Under-Secretary for Economic and Social Affairs of the United Nations has devoted full attention in the course of his activities in New York, is playing an important role in the economic development of most of Latin America. Nor can the significance of bilateral assistance be passed over, and I am delighted to be able to state that French technicians and experts have played their part in this work, and that many of them, especially here in Bolivia, are collaborating in the common effort. I should like to take this opportunity of mentioning that the Government of France is prepared, in so far as lies in its power, to make still greater efforts in this direction and to find a way of co-operating more fully with the Commission so as to facilitate the implementation of technical assistance programmes.

But economic development is not dependent solely upon capital and technical experts. What would be the ultimate point of an investment policy of which the aggregate profitability were insufficient?

If the work undertaken is to be of value, the new countries must first be given a certain sense of security as regards their resources, and must receive the assurance of our willingness to promote the stabilization of raw material prices. Perhaps I may be allowed to take this opportunity of recalling that if in 1950, at the time of the crisis in Korea, when the rise in raw material prices constituted a serious threat to the economy of the consumer countries, France declared

/itself in

itself in favour of the International Raw Materials Conference it has invariably, ever since that occasion, given it as its opinion that this international organization should not enact a purely circumstantial role, but should also intervene in all cases where a fall in raw material prices seems likely to handicap the economic growth of the under-developed countries.

Undoubtedly, the want of such an organization makes itself felt nowadays for the solving of many problems, of the complexity of which I am fully aware. In its absence, the Government of France has advocated a policy of concluding agreements in relation to the various products. It has also expressed its desire of associating itself with the search at the international level for some way of combating price instability. My country, which has subscribed to the International Wheat Agreement, is happy to note the accession of Argentina, and the function which it is to fulfil in future in the International Wheat Council. At the beginning of this year France also supported the protocol amending the 1953 International Sugar Agreement, while expressing its regret that some of the major Latin American producers, which had not been parties to the Agreement in 1953, had shown no intention of participating in the work of the International Sugar Council. It is to be hoped that a better grasp of the long-term advantages of international co-operation will induce them to modify their attitude. Lastly, I should like to add a reminder that France, which is a member of the International Tin Council, agreed, like the other consumer countries represented at the last session of this organization, that the minimum price

fixed by the Agreement should be re-established. We hope that this decision will help to foster the economic development of the producer countries -- and I am thinking very particularly of the country whose hospitality we are now enjoying -- without prejudicing the legitimate interests of the consumer countries.

Obviously, such an organization of markets by products should be accompanied, in our view, by a more general organization of international trade relationships. It is evident that the economic development of the countries of the modern world calls for the setting-up of very broad consumer markets. First and foremost, therefore, provision must be made for a co-operative international effort to expand trade and reduce the obstacles in its way. Such is the work currently undertaken by the GATT, and I offer my greetings to many of the delegations with whom I took part nine years ago in the endeavour -- premature, perhaps, in a still unsettled world -- to establish the Havana Charter. Nevertheless, in view of more individual interests and of the inter-relationships of civilization, psychology and geography, we feel that such a market organization could equally well be provided for within a narrower framework, at the regional level. We therefore welcome ECLA's present efforts to achieve the economic integration of Central America and to intensify inter-Latin American trade. The task will no doubt be a long and difficult one; but I believe I may safely assert, on the basis of the experience of Western Europe, that neither the obstacles nor the inevitable setbacks should discourage those

/who are

who are promoting this effort. Their optimism seems to us a cause for rejoicing. The longer the road to be pursued, the greater will be the need to define forthwith the forms to be taken by the co-operation that is an indispensable requisite.

In reality, it is not until after ten years of European economic co-operation that six countries of Western Europe have jointly signed the Rome Treaty and have thus resolved to create a European economic union which will become an effective reality only by successive stages, and by virtue of an effort which will have to be kept up for some fifteen years. The Governments of these six countries are aware that if they direct their steps towards this closer economic co-operation, they will be following the path of economic and social evolution in the modern world, and of the promotion, in accordance with United Nations principles, of a higher standard of living not only for its own but for other peoples.

In this connexion I should like, in conformity with the instructions I have received not only from the Government of France, but from five other Governments of countries members of the economic community, simply to recall a few of the basic ideas underlying the common market. I do not think it necessary to point out that the promoters of the common market are not intending to create some kind of Euro-Africa, but I do wish to emphasize that the signatories of the Rome Treaty, especially France, decided, as is only natural, to participate in the community in their territorial entirety, without excluding from the provisos that link them together the under-developed

/regions for

regions for which they are politically responsible. How could the very territories which are economically the least privileged conceivably be those that were denied the advantages offered by the community?

On the other hand, it should be noted that this is not a closed community with a tendency to cut itself off from the outer world. Even before the signing of the Rome Treaty, the six member countries had individually acceded to the bilateral trade and payments system outlined by Brazil in 1955. In the same way, most of them participated in 1956 in the provisional multilateral agreement concluded with Argentina. The signature of the treaty initiating the common market does not imply a change in their attitude towards the Latin American countries. In a joint statement on co-operation with the States members of the international organizations, the Governments of the six countries recognize that the establishment of close collaboration between them must contribute as much to the prosperity of other countries as to their own. What is more, they declare that as soon as the treaty enters into force they will again be prepared to conclude agreements whereby these common objectives can be attained and the co-ordinated development of trade ensured. Obvously, we can never have had in mind the creation of an autarchic body; the part played in Latin America's economic development by the six countries forming the common market is too important, and the ties uniting the two regions are too close, for the countries composing the community to withdraw into themselves -- an attitude which would, you may be quite

/sure, prove

sure, prove fully as prejudicial to our interests as to those of this region.

These, Mr. President, are the general ideas that I wished to lay before the Commission at the very outset of its discussions on this important problem.

Needless to say, the delegation of France, like that of the Netherlands, is prepared to provide any further information on the mechanism of the common market for which it may be asked during the discussions of Committee I. Nevertheless, I would not omit to inform my colleagues that in the view of the six Governments of the countries members of the community, it is within the GATT, as was resolved at the last meeting of that Organization's Intercession Committee, that the problems raised by the establishment of the common market could most profitably be discussed in detail, since all the countries directly or indirectly concerned, without exception, whether members of the GATT or not, would be entitled to participate.

Mr. President, Gentlemen: in the course of this address -- which I fear may have taken up too much of your time -- I have expressed my agreement with our Executive Secretary as to the particularly arduous nature of the task undertaken by the Commission. However, we should not be discouraged. Quite the contrary! Over the last eight years I think real progress has been observable in the study methods of our organization, but I should like, in conclusion, to express one desire, namely, that to an even greater extent than in the past, what I might venture to call the scientific quality of the analyses should

/be reinforced

be reinforced by the specific value of the objectives we must seek to attain.

The laws of economics must be respected, but, just as modern physics bears witness to-day that the classic rules of mechanics are no longer valid for bodies millions of times smaller than those with which we habitually deal, so we must never forget that identical economic methods and techniques cannot be expected to yield the same results when applied in countries with a preponderantly rural or mining economy, as in the industrial countries.

Nor must we lose sight of the fact that the means must be adapted to the ends desired, and these, let me once more reiterate, are the improvement of the standard of living and the adoption of an employment policy, which alone can open up the way to well-being for the under-privileged populations. In the final issue, what is incumbent upon us all is to incorporate in this vast undertaking, of which the élite of this region, so notably represented here, have long been conscious, the masses with whose future we are chiefly concerned.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. JEAN ROYER, REPRESENTATIVE OF GATT AT THE THIRD PLENARY MEETING ON 17 MAY 1957

I wish to thank the Chairman for this opportunity to make a few remarks during the general debate. Our organization, the General Agreement on Tariffs and Trade, is particularly interested in developing trade between primary producing countries and the industrialized world.

Two years ago we noted a persistent trend in the development of that trade; while trade between the industrialized countries had increased substantially during the post-war years, exports from primary producing countries to the industrialized areas did not increase with the same speed, with the result that the latter's exports to the former lagged both in relation to trade between industrialized areas and to world trade in general.

In 1956 a similar trend was observed, although the Latin American countries, due to the structure of their exports, did not feel the consequences as acutely as did other regions of the world, South East Asia in particular. Another adverse factor is that in 1956, for the first time in many years, the terms of trade of the under-developed countries were unfavourable to the producers of raw materials. In other words, those countries' exports last year were not sufficient to cover their need for imports. Here again, Latin America's position

/was less

was less unfavourable than that of many other under-developed areas.

In view of the persistence of these trends, we have tried to forecast very roughly the possibilities of improving the export trade of countries producing raw materials. As Dr. Prebisch pointed out in his inaugural address, the rate of economic development in Latin America depends, to a great extent, on its income from exports. During recent years, the industrialized Western world imported from the producers of raw materials some 13 thousand million dollars worth of primary commodities (foodstuffs and raw materials). North America imported nearly 4 thousand millions, while imports in Western Europe amounted to 9 thousand millions, these figures representing the net imports in both areas. According to our estimates the industrialized Western world's demand for primary commodities will increase substantially by 1973-75, as regards metals and ores (chiefly aluminium and bauxite), fuels (petroleum and its derivatives), crude rubber, tea, coffee, cacao and tropical fruits. On the other hand it is probable that the demand for natural fibres from these countries - and for cotton in particular - will drop by about 15 per cent, provided competition from synthetic fibres does not increase, and by as much as 5 per cent if competition does increase thanks to technical progress.

The most problematic aspect, however, is the export of staple foodstuffs such as wheat and other cereals, sugar, m

/and edible

and edible oils. If the industrialized countries in Europe and America maintain the same agricultural policy as in recent years, the primary producing countries have very little chance of increasing their exports of foodstuffs. On the contrary, we have estimated that they may even become net importers of foodstuffs produced and sold in the industrialized countries themselves. Should this occur, the total export of primary commodities from under-developed to industrialized countries will not be greater in quantum than at present, provided prices remain constant. We estimate that, in 1973-75, these exports would amount in value to 14,500 million dollars, as opposed to the 13,000 million for the period 1953-55. This volume of exports would not suffice, it appears, to permit the producers of raw materials to hold their imports at the level necessary to their economic development, nor would they provide the foreign exchange necessary for the loans and advances required for their development programmes.

On the other hand, if the industrialized countries of Europe and North America could modify their agricultural policies so as to give the producers of primary commodities a slightly larger share of their domestic markets for staple foodstuffs, the effect on the export trade of the latter countries would be most substantial; we have estimated that they could export about 20 million dollars worth of goods to the industrial world, and this increase would give them a sufficient margin to improve their foreign currency availabilities and

/obtain the

obtain the resources necessary to their economic development.

These estimates, which we propose to improve still further and to apply to the various countries or groups of countries, suggest the need for closer co-operation between the industrialized and non-industrialized countries, in the formulation of a common trade policy. In his inaugural statement, Dr. Prebisch gave the impression that, in his opinion, Latin American countries exert very little influence over the trends of their export trade. I should like to take the liberty of differing from him, and of expressing my own opinion to the effect that Latin American countries would not be justified in taking a fatalistic or purely passive attitude in this matter; Latin America can and must seek to influence the development of its trade by various means. It would seem that if their programmes for the production of export goods emphasized those for which the markets appear to be more favourable, they might to a certain extent avoid some of the difficulties ahead. Furthermore, when their export products meet with competition from other countries or from synthetic goods, that competition can be faced by promoting improved or more consistent types of natural products, by stimulating research on new uses for those products, or by improving price quotations by abstaining from the imposition of excessive export duties or other taxes which give an artificial price advantage to synthetic products. Finally, there is the old method to which the industrialized countries have had recourse for years, namely the adoption of

/an active

an active trade policy. Some of those countries have been able to maintain or improve their export markets by excercising the right to control their imports. Negotiations successfully concluded over the years, based on mutual agreement to limit the scope of governmental intervention in matters of trade policy, have been of great value to industrialized countries both in Europe and North America. And there is no reason why that policy should not be as beneficial in Latin America as it has been elsewhere. Since the war, trade policies, rather than being based chiefly on bilateral arrangements, have taken the form of multilateral negotiations facilitated by the existence of international organizations such as ours. At the meeting held two years ago for the revision of the General Agreement on Tariffs and Trade, and at our last session, the member Governments, representing more than 85 per cent of world trade, indicated their willingness to make better use of these possibilities. I sincerely trust that the Latin American countries will not be the last to see the advantages that their policies of economic development could derive from a more active trade policy.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session,
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. MINORU IZAWA, OBSERVER FOR JAPAN, AT THE THIRD PLENARY MEETING, 17 MAY 1957

I wish to thank you for the opportunity, which you have kindly extended to me, of attending the seventh session of the Economic Commission for Latin America, and to say a few words as Observer for the Japanese Government.

First of all, I wish to express my deep appreciation for the admission, by a unanimous vote, of Japan to membership in the United Nations, which received the strong support of the Latin American countries.

The study and analysis appearing in Volume II, No.1, of the Economic Bulletin for Latin America concerning "Recent developments and prospects in trade between Latin America and Japan" covers every aspect and problem existing today, and is so comprehensive and detailed that very little remains to be added.

Because of its traditional friendly links with the Latin American countries, Japan has been attempting for some time to give practical expression to its sincere wish to contribute, as much as possible, to the economic development of the countries of this continent, and in fact, Japan's economic co-operation with these nations is increasing daily.

The basic policy of the Japanese Government is to give

/its support

its support to the plans of Japanese private enterprises, on the basis of mutual co-operation with those of the Latin American countries.

The Japanese Government does not propose to participate directly in this task, since it is of the opinion that, to a certain extent, it will be possible for private Japanese capital and technique to play their part and contribute to the development and diversification of industry in the Latin American countries, and it hopes that these efforts will be duly appreciated.

So far as small and medium-sized industries are concerned, Japan occupies a special place and it has achieved characteristic progress through which it will surely be able to contribute to the countries members of ECLA.

The studies made by the Economic Commission for Latin America bear witness to the faith and effort which the Latin American countries are putting into the expansion of production and trade. They also show that, at these meetings, the concept of the over-all and harmonious development of their various economies together with that of the other nations, is being increasingly confirmed. For this reason, I am pleased to convey to this assembly my best wishes in the hope that the discussions and their outcome will be as encouraging as the potentialities of this prosperous continent.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session

La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. ARIOSTO GONZALEZ, CHAIRMAN OF THE URUGUAYAN DELEGATION, AT THE THIRD PLENARY MEETING, 17 MAY 1957

The delegation of Uruguay wishes to take this opportunity to review some of the economic and trade problems of Latin America in order to give a broad outline of the solutions, prospects and trends which, in its opinion, interest the region and, particularly, Uruguay and the American and extra-continental States with which Uruguay maintains the closest and most effective relations in its process of economic and trade expansion.

The Economic Commission for Latin America was established in 1948. In the course of its continuous and proficient technical activities, marked by a keen understanding of the deficiencies and difficulties encountered in the region, it has prepared studies of positive value. Adopting a thoughtful and practical approach, it has selected the problems to be considered from a vast range of possibilities for analysis and research, has centred its debates around them and has determined the lines which activities should follow and the objectives to be pursued. It has resisted the temptation of a multiplicity of subjects, the confused and sterile accumulation of recommendations, and the futile dissipation of its efforts in activities which have no chance of being carried out. It has preferred to follow a

/methodical, specific

methodical, specific and exhaustive plan of work.

In Latin America, ECLA's achievements provide a lesson and an example. We must apply its teachings in practice and we must follow its example in our research endeavours, many of which have been unsuccessful or still-born.

When ECLA was first established, prolonged and heated discussions arose concerning fundamental economic questions. I recall the meetings at Santiago, Chile (1948) and Havana (1949), which I had the honour to attend as Chairman of the delegation of Uruguay. If a comparison is drawn between the discussions then held and present lines of thought and achievements, it will be noted that great strides have been made in favour of the economic and trade expansion of these countries.

As the Executive Secretary, Dr. Raul Prebisch, stressed yesterday, one of such discrepancies - apparently insuperable - was whether to develop traditional sectors or industry. The matter had already been discussed in the Castillo de Chapultepec, during the Conference on the Study of Problems of War and Peace; the debate reached a dramatic climax at Geneva and Havana, when the GATT and the Trade and Employment Agreement were discussed; the subject was reconsidered on several occasions at the sessions of the United Nations and Inter-American Economic and Social Councils.

In 1948 and 1949 it was impossible to utter the word "industrialization" without causing alarm in many responsible circles.

/After some

After some years of technical research and analysis, Dr. Raúl Prebisch was able to say, at the inaugural meeting of the Trade Committee in Santiago, that a dynamic balance should exist between primary production and industrialization. According to this eminent specialist, two complementary forms of economic development are involved and the main role of economic policy is to ensure that, as a country undergoes a process of development, a proper balance is maintained between agriculture and other kinds of primary production and industry. In his well thought out speech of yesterday, Dr. Prebisch recalled that there was no longer any difference of opinion on the subject and that there was a dynamic relationship between industry and agriculture.

In Uruguay a sustained industrial development policy has taken shape and has already acquired a firm tradition, substantial capital and a progressive technique.

At present, industrial investment totals 1,700 million pesos, of which one third is accounted for by machinery. Annual production is valued at 2,600 million pesos.

Twenty years ago the value of production was ten times less, and over the same period industrial employment was expanded two and a half times.

From the point of view of the value of the total product, the food-processing industries which account for one quarter of the country's total production are the most important. It may be stated that this sector supplies almost all domestic requirements. The second in order of importance is the textile and

/garment industry

garment industry which accounts for 15 per cent of total production and not only satisfies domestic demand but also produces considerable export balances. The manufacture of beverages, the chemical industry, building, the metallurgical industry, etc. are also noteworthy. It should also be stressed that the State's industrial activity contributes little to the figures mentioned. Private enterprise, under the guidance and protection of the State, is responsible for the remarkable impetus of Uruguay's industrial development. This industrial development, in conjunction with sound labour legislation, has made it possible to raise the level of living of the working classes.

The decisions of the wage councils, which affect all industrial and commercial activities, have made it possible to increase workers' earnings more than proportionally to the rise in the cost of living.

On the basis of statistics for the last three years, it may be noted that, while the cost of living index rose by 28 per cent, wages increased by 57 per cent. This means that they have risen twice as high as the cost of living index. This margin, together with the free assistance services and free education provided at all three levels and in the Universidad del Trabajo, have helped to raise the level of living and to promote the training of skilled and technical personnel.

Industrial development has not ousted animal husbandry from its traditional role in the economy. The livestock

/industry, after

industry, after supplying domestic requirements, provides the bulk of exchange earnings. Yet, some quantitative stagnation is observable in the industry, which is unjustified in view of the growth of the population and the improvements in technique which have contributed to raising unit yields and standards of quality.

In recent years agriculture has expanded considerably. The production of grain, industrial and oil-seed crops increased by 131.5 per cent (in terms of kilogrammes) between 1943/4/5 and 1953/4/5.

The production of both crops and livestock during the ten-year period, computed on the basis of the three-year periods 1943/4/5 and 1953/4/5, was encouraged by an 82.5 per cent increase in the over-all level of weighted prices in foreign trade. During the same period, the physical volume of exports increased by 20.6 per cent.

Technical improvements in crop farming and animal husbandry have made it possible to employ skilled labour on the farms and have resulted in a redundant labour force which can be employed by industries processing agricultural commodities or by other manufacturing industries.

The areas available for livestock need to be brought under a mixed and intensive type of farming which will be favoured by the new plans aimed at raising agricultural productivity.

With respect to the import trade, in many cases there has

/been a

been a substitution of commodities, by domestic production, but fuels, raw materials and intermediate products still constitute a heavy drain. In the last ten years such imports have increased, on the average, by 100 per cent, as a result of the development of manufacturing and the rise in the level of domestic consumption.

In summary, it may be stated that there is a satisfactory balance between industry and the production of raw materials and foodstuffs, while the level of living of the population is rising.

ECLA's work has reached a stage which is of interest to Uruguay and to the other Latin American countries: the inter-Latin American market has been recognized as some thing apart which should be given separate treatment. During the sixth session of the Commission and at the Meeting of Ministers of Finance or Economy held in Rio de Janeiro, the specific nature of intra-regional trade and the need to treat such trade as a unit and to co-ordinate it with that of other areas were principles which gained ground. It is a question not of isolating Latin America from the rest of the world, but of joining in a common endeavour.

Uruguay's exports to other American countries accounted on the average for 28.05 per cent of its total trade transactions during 1952-56. In the same five-year period, imports constituted 48.66 per cent. These figures include the United States. But even so, the inter-Latin American market is of genuine importance, and the main trading partner is Brazil.

/Since trade

Since trade is unquestionably essential for maintaining economic activity and raising the level of living of the level of living of the population in a civilization in which Man is increasingly becoming the centre of all economic endeavours, ECLA has now included among the important items in the agenda to be dicussed at La Paz that of the expansion of inter-Latin American trade. The limited markets of our countries hamper industrial development. A regional agreement should lead to thir expansion through the integration of trading areas.

The immediate objective is to co-ordinate and improve payments systems. The studies and conclusions of the first session of the Central Banks Working Group held in Montevideo are a step in the right direction. We should hasten in our efforts to attain this objective by adjusting current agreements to the new pattern.

Although a more detailed analysis of the Montevideo proceedings will probably be made in the relevant Committee, I wish to stress that at the session of the Central Banks Working Group, the representatives of Argentina, Bolivia, Brasil, Colombia, Chile, Ecuador, Paraguay and Uruguay - which were the participating countries - agreed on a standard payments agreement, which will serve as a model for the adjustment of current bilateral agreements, either in force or being negotiated, according to the agreed pattern. A

/system of

system of accounts, with swing credits to be contracted among the corresponding countries, and a system for transferring balances, as well as the parity of the unit of account with the convertible dollar, constitute some of the basic provisions of the standard agreement. I wish to emphasize that it is not a question of consolidating the bilateral system but of paving the way towards automatic multilateralism so far as this is feasible. The formula adopted at Montevideo for the four most usual types of payments - barter, clearing, limited transferability, and multilateralism - is consistent with a system of payments agreements involving limited transferability.

I shall not even mention other matters which will be examined, in order to give the importance, that is its due, to the inter-Latin American market. Traded Commodities, prices, surcharges, transport, contract conditions, are all factors which affect its establishment and development.

Another element to be considered is that the inter-Latin American market cannot be directed against the requirements of trade liberalization; in this respect, Uruguay took an important step when it enacted the Decree of 3 August 1956. The regional market should favour reciprocal trade, but it should do so by creating or providing the means of payment to intensify such trade with the countries outside Latin America which supply the capital

/goods required

goods required to instal and develop the new industries that may accelerate Latin America's economic progress.

On 25 March the European common market was established. Its organization and scope are of vast political and economic significance. One of the immediate matters of concern for ECLA and the Latin American countries should be to study the implications and influence which the European common market will have on the trade and economy of the region. We should not maintain the attitude of the praetorian guard, asleep at the gates, at a time when problems arise which demand our urgent attention.

Consumer capacity for certain commodities in the countries members of the European common market is determined from our point of view, by the export capacity which they will allow us. If the reciprocity of trade is altered, we can also think, in economic self-defence, of modifying or denouncing the commitments which bind us, adapting them to the new state of affairs, or we can channel our purchases to other markets.

It is very clear that as long as the common market treaty does not imply the fixing of quotas or discriminatory treatment directed against American products, it may have no effect or a favourable influence on our trade. But it is necessary to watch with a vigilant eye all efforts made to develop Africa, where it is possible to grow commodities which will compete efficiently with some Latin American products.

/In addition,

In addition, capital investment may move in a new direction when other areas offer greater incentives than Latin America. At this moment, when there is confidence in the limitless possibilities of Latin America's reaching the full height of its development and the climax of its destiny, I wish to recall, in tribute to the centre of studies in which we are assembled, that it was the Universidad de San Francisco Javier of the city of Charcas which trained the illustrious personalities that guided the first steps of western civilization in this part of America. This University was the Alma Matter of the leaders whose names fill the rosters of our American cities, handing down an illustrious heritage to the Bolivian Universities. Any one who has visited Montevideo cannot forget, among other street names, those of Jaime Zudamez, born in Sucre, a wise magistrate and member of the first Parliament of Uruguay, José Ellauri, Lucas Obes, Juan María Perez, Bruno Mendez, Nicolás Herrera, all statesmen and politicians trained in this generous land of Bolivia who went to my country to build up a democracy based on the rule of law.

With these remembrances, we feel stronger and more capable of facing the problems of the present and of assuming our responsibilities in preparing for the future.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. ROBERTO DE OLIVIERO CAMPOS, HEAD OF THE BRAZILIAN DELEGATION, AT THE THIRD PLENARY MEETING, 17 MAY 1957

I wish first to offer my greeting to the Bolivian people and to thank them for the hospitality they have shown us. If the social and economic development of Bolivia is of interest to any Brazilian, it is to me, a native of the Matto Grosso, on the western borders of Brazil. Since childhood I have been in close contact with Bolivia and with the people of the valleys and the eastern region. With pleasure, curiosity and admiration I now observe the noble dignity of the Altiplano, and establish an even closer contact with Bolivian geography and history, and with the effort which this country is making to dominate a natural environment which, while full of promise, is also rugged and severe.

It also gives me special satisfaction, as Director General of the Banco Nacional de Desarrollo Economico, to head the Brazilian delegation at this conference. The co-operation between ECLA and the Banco Nacional de Desarrollo Economico has always been most friendly and fruitful. Together we have made a methodical study of the programming of Brazil's economy. Last year we worked together on an economic development programming course in Rio de Janeiro; it was so successful that we wish to see it converted into a permanent course, to provide us, on an increasing scale, with administrators,

/economists and

economists and engineers from all parts of my vast country. We are also now co-operating in a study of the repercussions of the establistment of a motor vehicle industry on the demand for steel and the products of the mechanical industry.

Without the assistance of ECLA, the Banco de Desarrollo would have been unable to carry out any of these tasks satisfactorily. During the phase of rapid structural changes through which we are passing, there is a tremendous shortage of economists, engineers and administrators capable and creative enough to bring out economic technical knowledge up to date and apply it to the specific problems of the country.

For the Latin American countries there is no more dramatic or more urgent problem than that of economic development. It is more important than defence, since in this modern age defence capacity is a by-product of economic prosperity. It is even more important than social justice, because only by increasing productivity can wealth be increased, and the inevitable acrimony between social groups arising from stagnating or declining production eliminated.

It is also more important than political stability, because only economic development can reduce tension between groups, and, by widening the horizon of opportunity, create the levels of tolerance necessary for the functioning of political controls.

The post-war economic development of Brazil is divided into two phases: during the first, from 1947 to 1954, the rate of growth was extremely rapid, reaching 6 per cent per year, or more than 3 per cent per capita. Unfortunately however,

/this rapid

this rapid development could only be obtained through exogenous factors of a temporary nature, consisting of a considerable improvement in the terms of trade and a vast income in real resources, which was made possible by the liquidation of exchange reserves accumulated during the war, and by a heavy foreign debt, which occurred once these other resources were exhausted. Internal and external bottlenecks, resulting from the inadequate capacity to import and from the deficiencies of the transport and energy systems, led to a reduction in the rate of development. This declined in 1955 to almost 1 per cent per capita, and to nearly 0.6 per cent per capita in 1956, although the gravity of the trend in the past year was less than it would appear, since the decline in development was not due to decreased productivity, but to a reduction in agricultural output caused by the weather.

The prospect of a probable decline in the rate of growth led various Brazilian Government organizations to become interested, in 1953, in a more thorough study of the technique of programming, which, by diagnosing the strategic factors of economic development, and projecting their natural trends, would allow the application of remedial methods. As Dr. Prebisch so put it so aptly, a technique of programming is neutral, and is unconnected with the trend, seen in some countries, to increase State intervention in the economy.

The criterion of the Banco de Desarrollo Economico, when we commenced our joint study with ECLA, was that the object of programming in the public sector is to co-ordinate

/investments and

investments and allocate priorities; in the private sector, to determine the objectives of development and, through preferably indirect controls, monetary and fiscal, to create the atmosphere required in order that private initiative might act in accordance with its natural dynamic properties.

Thus the creation of the atmosphere is as important, or more so, for private initiative than executive programming in the public sector.

But this more realistic and moderate interpretation of the role of the State in private initiative - an interpretation which, in spite of its incoherence, vacillations and reverses, is emphasized in my country - is not free from errors or doubts. For this reason, it would perhaps be useful to attempt brief to outline Brazilian post-war development.

The development of Brazil, although intense, was affected by desequilibrium, partly as an inevitable consequence of the rapid structural changes in the economy but also deriving in part from disturbing intervention by the Government. It is of this type of imbalance, which I shall call induced disequilibrium, that I wish to speak, since I understand that, in our experience, there are many points of contact with other Latin American countries, and that this interchange of experience might be advantageous to the others.

The first induced disequilibrium was a result of the overvaluation of the exchange rate maintained during almost the whole of the post-war period. This was a burden on agriculture and exports, to the benefit of industrial production, which, in addition to importing raw materials and equipment at

/a favourable

a favourable exchange rate, was protected by quantitative restrictions on imports of similar products.

Although it is true that for a limited period the over-valued exchange rate succeeded in stimulating industrialization without seriously affecting the capacity to import, since the decline in the quantum of exports was offset by the rise in prices abroad, and also because, due to the occasional existence of a seller's market for some of our export products, the over-valuation has helped to maintain exceptionally favourable terms of trade, it is none the less true that in a very short time the negative effects inherent in any type of over-valuation of an exchange rate made themselves plainly felt. The quantum of exports stagnated or diminished, and its diversification process was also interrupted. Another component of the capacity to import - inflow of foreign capital - was also relatively affected. There was no incentive for the replacement by domestic production of raw materials importable at over-valued exchange rates; there was a certain amount of under-employment in basic industries whose products, since they were considered essential, did not benefit from the "market reserve" established by the quantitative restrictions. At the same time, the exchange policy designed to ensure foreign exchange savings by the elimination of imports of superfluous goods was not supplemented by a consumer tax intended to reduce the demand for those goods and also the return from their production. The stimulus provided by the domestic production of durable consumer goods was greater than that given to

import substitution of raw materials, basic intermediate products and capital goods, and the reducible margin of imports, instead of increasing, contracted.

The unsatisfactory development of the capacity to import and the consequent difficulties in the balance of payments created an external bottleneck in the economy, which is only now being overcome by successive partial devaluations, which are intended to encourage exports and, through these, to re-establish the capacity to import. In 1955 and 1956 we saw, fortunately, the establishment of equilibrium in the balance of payments, a result, especially in the former year, of a reduction of imports, and aided in 1956 by two other factors, greater income from exports and a considerable inflow of foreign capital.

The second induced disequilibrium took place precisely in the basic industries and in the economic overhead, the creators of external economies, and it was due to their being subject to prices and tariffs fixed by the authorities, without taking into account the effects of the inflationary process.

The inflation of costs meant that the net return of public utility enterprises was limited by the ceiling of fixed rates, which discouraged interest in new investments, and which even led to their withdrawal in some cases. A typical case is that of the railways, and to a lesser degree, electric energy.

/The solutions

The solutions adopted consisted in general in subsidizing, to maintain the prices of public utilities at an artificially low level, and in some cases to effect their absorption by the Government. That, naturally, did not result in any reduction of real costs to the economy: it merely produced a change in the method of payment. The costs, instead of being paid directly by the user, were distributed over the entire community, which resulted in almost all cases in an increase of the Government's budget deficiency.

Only during the last three years, because of sound public investments in electric energy, a sector in which production increased by 16 per cent during the past year, did we succeed in attenuating the disequilibrium which could have been avoided, or at least reduced, by means of a rational rate policy.

Brazilian experience - and I believe that this may be extended to other Latin American countries - has brought to the fore the importance of following a correct and realistic policy in the matter of public utility rates as a means of avoiding bottlenecks. In almost all our countries the inflexibility of public utility prices has been defended, in the name of the struggle against inflation, but this defeated its own ends. The inequality between the development of prices for basic services and those of other goods and services led to a lack of interest in investments in those sectors on the one hand, and on the other, in several of our countries it represents a large part of the deficit in the

/public sector,

public sector, met by inflationary measures.

It is fair to infer that the adoption of a rate system capable of covering the operating cost of the sectors of the economic overhead, and even allowing surplus resources for expansion, produces a double favourable effect on the level of savings in the country. On one hand, the elimination of the burden of subsidies intended to ensure the rendering of these services will increase the saving capacity of the Government; and on the other, the fact that these sectors will be able to finance their own expansion either in whole or in part, thereby ceasing to draw on public resources, will free funds for investment in other economic development projects.

The painful experience of bottlenecks in energy and transport has gradually made us, in Brazil appreciate the problem much more realistically.

There is an increasing acceptance, even by those sectors which traditionally have favoured State operation of public services, of flexible criteria on the subject of rates, adapted to the supply and demand conditions of those services.

The first of these criteria is that of <u>development pricing</u>. This is the criterion indicated for situations where bottlenecks appear, that is, when the demand is greater than the supply. In such cases rate increases are justified in order to reduce the demand and to accumulate resources needed to increase the supply quickly. The overprice on the rate constitutes, in this case, a form of compulsory capitalization (unremunerated capital)

/which is

which is preferable to a tax, since it falls directly on the consumer and is collected with less expense and greater efficiency than Government taxes in general.

As equilibrium is re-established between supply and demand, that is, as the bottlenecks are eliminated, the criterion of full-cost pricing can be applied, the object of which is to cover the true cost of the service and at the same time to provide resources for normal expansion.

Only in special cases, when the demand for the service is less than the capacity of the existing facilities, does it become necessary to try to increase their utilization, and subsidy pricing becomes economically defensible.

We are now convinced that the erroneous application of subsidy prices to inflationary conditions characterized by bottlenecks has been a grave obstacle to economic development in Brazil and other Latin American countries. In our country, especially as regards electrical energy, we have made appreciable progress towards a realistic rate policy, the object of which is to re-establish the interest of private initiative in that sector and thus reduce the Government burden.

Now gentlemen, after this digression, which, I hope, has not sent any of my listeners to sleep, I would like to pass to some comments on the lessons to be derived from the systematic analysis which ECLA has been making for some years of the Latin American economy.

My friend Dr. Prebisch, to whom we owe some of the wisest

/analyses of

analyses of the process of Latin American development, has been simultaneously a creator of enthusiasm and a destroyer of illusions, tasks which are not always easy to reconcile. In the case of Brazil we are gradually overcoming our illussions, which I will enumerate, since in more than one case they are the common experience of other countries. My list of illusions includes the inflationist illusion, the transpositive illusion, the redistributive illusion, and the mechanical illusion.

Dr. Prebisch has already referred to the first. It consists of inflationist euphoria, the result of confusing the creation of credit with the creation of real resources. In its primary phase, when inflation affects investments and not costs, it may be admissible,and it is probable that there may be a temporary increase in the rate of capital formation. Unfortunately, the honeymoon of inflation and development is too short. In a very short time it begins to exert a negative effect on overall saving, leads to a distortion of investments and reduces productivity, and finally reduces the capacity to import.

The second illusion is the transpositive. This consists in believing that, as though by magic, the real resources of the community, or its level of savings, can be increased by simply replacing private enterprise, as an economic agent, by the State. This measure may be recommendable at times for political security reasons, or to correct abuses or monopolies, but it will seldom lead to an increase in capital formation.

/Brazil's experience

Brazil's experience, with the almost complete stagnation of the railway services and the subsequent decapitalization and loss of efficiency, constitutes a conclusive example. Recently we have been obliged to abandon the purely governmental form of organization, and adopt methods and administration criteria which approximate more to those of private enterprise.

During a period of inflation the enterprises which administer the services comprising the economic overhead have tremendous problems, whether they be public or private; no problem is solved, although many are created, by using the simple expedient of substituting the private economic agent for the State.

The third illusion, the redistributive, is more treachorous because it is much more attractive. It consists in attaining social development, that is, the distribution of commodities at a rate much higher than that permitted by the economic development situation of the country at a given moment, and frequently to its detriment. It has also been said that the economic development of the last century originated above all in the dynamism of private enterprise as regards production, while the development of today is much more directly linked to the aim of satisfying the consumer demand of the masses.

A delicate equilibrium must be maintained between fiscal measures governing the distribution of income and social benefits which expand the domestic market in sufficient degree to justify a rapid economic growth on the one hand, and, on the

/other, the

other, the need to accumulate public and private funds for investment. In more than one Latin American country the demand by the masses for a higher level of consumption than that warranted by the degree of development and productivity has resulted in a decline in the rate of capital formation; Governments which succumb to excessive redistribution finally prejudice those very classes which they sought to favour.

The last illusion on my list, the mechanical illusion, is somewhat complex, and appears in at least three different forms.

The first consists in under-estimating the importance of agricultural development in relation to that of industry. In practice this attitude shows itself in an excessive emphasis on unsystematic import substitution through domestic industrialization, as compared to the stimulation of agricultural exports. This observation does not contradict the theory - accepted by an increasing number of economists - that, for the great majority of Latin American countries, industrialization is the dynamic factor of development, for the simple reason that the increase in agricultural production, combined with the relative inelasticity of world demand for primary commodities, tends to free factors which could be employed better in industry than in agriculture.

The note of caution hardly refers to the intensity and opportunity of the substitution industrialization movement which at times is undertaken for emotional reasons when wider opportunities exist for utilizing the production factors more efficiently in agricultural exports.

/The emphasis

The emphasis which must be placed on import substitution is the more justified as the expansion of the world market for primary commodities is less, the increase of agricultural productivity more rapid, and the possibilities less of substituting primary activities of rising cost for manufacturing activities of decreasing cost. In many countries - including Brazil and possibly Argentina - as Dr. Prebisch has said, an exchange policy has been adopted which hampered total utilization of available export products, giving exaggerated importance to an import substitution which has often been disorganized and unsystematic. In these two countries, a rapid decline in the capacity to import has constituted a considerable threat to the industrialization movement itself, and has necessitated a change in the exchange policy in favour of primary production.

The second form of this illusion consists in making heavy investments in mechanical equipment with a view to economizing labour, which in turn calls for refined operating and maintenance techniques, and, above all, investments in capital assets which are exaggerated in relation to the economy of low technical level and abundant manpower.

The third type of mechanical illusion is the most widespread and the most dangerous. It consists in over-estimating the importance of physical investments in equipment or construction compared to the spiritual investment in education and technical training. According to studies made recently in Brazil - and I believe in Mexico also - the deficiencies

/of basic

of basic teaching and the lack of labour and skilled technicians is growing to alarming proportions, and constitutes a more serious bottleneck - because it takes longer to eliminate - than those of energy and transport. In the present situation of the Latin American economy, few investments will be more productive than those in education and technical training. Countries such as the United States and Australia, which developed at one period through mass imigration, had the great advantage of receiving educated and trained emigrants, and consequently saved huge sums on education. In the present period, in the majority of the Latin American countries, because of the rapid rate of growth of the population, development must be almost entirely from within, which calls for heavy investments in the training of human capital.

That completes our list of illusions, and we now return to the more austere plane of reality. What, in synthesis, are the gravest problems of Latin American economic development which have defied the imagination of the statesmen and economists of our countries?

In my opinion, there are two which vie for first place. The first is the increase in the rate of domestic saving; there is a need to adopt measures which will increase it without prejudice to the strenous efforts which must be made to attract foreign capital.

Brazil has had moderate success with some saving systems. One of these consisted in the creation of the Banco de

Desarrollo Económico, based on compulsory saving machinery. A surtax was levied on income tax in the higher economic brackets; each taxpayer received public debt bonds after five years to the value of the tax paid, plus a bonus, to be amortized in twenty years. The resources of the Bank constitute a general investment fund which may be applied either to supplement budget funds or private resources which were applied in the economic overhead structure, or in basic industries.

By the end of 1956 the Bank had already issued loans to an approximate value of 15,000 million cruzeiros, divided as follows: railways, 65 per cent; electrical installations, 20 per cent; basic industries, 10 per cent; the balance was allotted to ports, storage facilities and agriculture. The Bank also contracted foreign financing and gave guarantees on foreign financing to an aggregate value of 186 million dollars.

Another form of compulsory saving consists in obliging the private insurance and finance corporation companies to deposit part of their funds in the Bank; the proportion thus deposited escapes investment in the building sector or other lower-priority branches of the economy, and can be applied to economic overheads. In 1955 the Bank instituted the system of "controlled direct investment". Under this system the private insurance companies and finance corporations are authorized to refrain from surrendering 25 per cent of the annual increase in their technical reserves, provided that they

/are prepared

are prepared to use 40 per cent of this annual increment directly for projects approved by the Bank.

It is a mistake to wait until monetary stabilization programmes have been formulated before restoring the incentive to private saving, since this makes a powerful contribution to the objective of stabilization itself. The main problem consists in seeking techniques and institutions capable of renewing this incentive in periods of acute inflationary pressure.

The problem assumes more disquieting proportions in view of the increasing resistance set up, not only in Brazil but in the other Latin American countries, to the new taxation which is bein introduced to raise fiscal revenue. Owing to the imperfections of Brazil's fiscal machinery -- and I know that a similar situation exists in other countries as well -- the increase in taxation is liable to aggravate fiscal injustice, so long as tax evasion is not successfully combated. Apart from the tax on luxury consumer goods - where taxation possibilities could not be explored fully - the only fiscal instruments which could be analysed seemed to be: (a) a fiscal option through which the higher income tax on undistributed profits or on other areas of fiscal influence, could be reduced or eliminated in the case where the taxpayer decided to apply these resources to determined sectors of primary importance to economic development; or (b) better regulations covering the "improvement tax" with the object of obtaining

/for the

for the State at least part of the value and profits arising directly from the public investment programmes in which all the remaining countries of the region are engaged.

Apart from the problem of stimulating savings - which becomes the channelling of domestic economies rather than the equally desirable inflow of foreign capital - the second basic problem in Latin American development appears to be the development of education and technical training, especially in rural areas where the low technical level is a factor in low agricultural productivity.

Gentlemen: we have arrived more with exhaustion than with satisfaction at the end of these deliberations on the economic development problems to which ECLA is devoting its best efforts, thereby earning the gratitude of all the countries of this continent.

Allow me now to make a few remarks, which I hope will be more brief than the earlier ones, on the problem of the regional market, both in its present European manifestation, and its potential Latin American manifestation. This is a subject which I am sure will constitute one of ECLA's main interests.

What can say about the European common market is less than what we can hear from our European colleagues. Perhaps it would not be out of place to mention some of the fears which are worrying Latin Americans in this connexion.

We all know that, over the long term, and to the extent

/which two

which two aims are achieve - increased productivity and real European income through greater markets and high-scale economies - the effects of the common market will not only benefit the European economy, but also that of the world in general.

Over the short term, there will undoubtedly be readjustments, which are the natural price which must be paid. What is worrying Latin Americans is the possibility of artificial distortions in the direction of investments and trade. While investment funds potentially available for placement in Latin America and Asia are channelled towards the African possessions, in response to the natural stimulus of greater productivity and profitability, no objections can be raised. But when European investments are diverted from their natural inclination to take part in Latin American development, not as a function of greater productivity of colonial investments, but as a result of motives of political solidarity, the benefit for the European economy will be illusory, and the result will be really detrimental to Latin American economies.

The second cause for concern is the danger of contamination of the common market from the colonial preferences still maintained by certain European countries, the tolerance of which we consider to be the "original sin" of GATT, a sin from which that organization has never sufficiently purged itself. Any increase in the level and margin of colonial preference will give rise to grave apprehension. Such a result will be produced, for instance, if the common tariff applicable to

/Latin American

Latin American commodities, resulting from negotiations between the six member countries, exceeds the mathematical average of the direct tariffs applied individually today by the six countries.

According to preliminary information, subject to correction, given in ECLA document E/CN.12/449, the tariff applicable to Latin American coffee by averaging would be 7.5 per cent ad valorem, while that negotiated in the common market would be 16 per cent ad valorem. For cacao, the increase would be from 2.5 to 9 per cent ad valorem.

If these data are confirmed, the introduction of the common market would be an unacceptable amplification, rather than a contraction, of the colonial preference system. It would lead to a simple transfer of trade currents, and not an expansion of world markets, barely leaving the Latin American countries the hope that future European increases of productivity or real income would compensate for the immediate dislocation.

This examination of the effects of the European common market on investments and international trade lead us to the subject of the Latin American regional market.

Only a short time ago, the idea was merely Utopian. On one hand, the absolute lack of complementarity between the Latin American economies would impede the accummulation of large savings through large-scale production, which is the raison d'être of the common market. This difficulty was

/eliminated to

eliminated to some extent by the rapid industrialization in certain parts of Latin America. On the other hand, petty rivalries and a futile competition for leadership created a political atmosphere unfavourable to an effort of this magnitude. The political maturity attained by the countries of the continent during recent years, and the better sense of economic solidarity which they have been acquiring - due in no small degree to the international work of ECLA - have made the idea of regional economic integration more feasible. After having known, to use a phrase of Franklin D. Roosevelt, the "joys of independence" our countries must now examine the advantages of interdependence.

The two requisites for sailing the frail barque of a regional market - to which the Central American integration experience provides a most encouraging prelude - are "realism" and "gradualism". In this field we must reconcile ourselves to the "inevitability of gradualism", to use the Fabian phrase.

My Government is carefully examining the potential repercussions of the European common market, to learn lessons from them which may be useful in taking up a position regarding the Latin American regional market, which is still in the study phase.

Realism demands that each Latin American country should support the idea of the regional market, without the implicit intention of reproducing the traditional division of labour on a regional scale - industrialized countries, on the one

/hand, and

hand, and primary production, on the other - which they will not accept on an international scale. It is therefore important that, within the limitations imposed by the disparity of levels of industrial development, a start is made from the idea of a "basket of trade".

In other words, the various countries must not approach the regional market as an instrument which will allow some of them to specialize in industry and others in agriculture: it must be arranged rather that opportunities are afforded to both sectors, without sacrificing, naturally, the requisites of productivity which constitute the true raison d'être of the regional market.

Gradualism imposes the condition that the effort shall be made without disturbing the consolidation of industrial development, achieved through painful struggles by some of our countries, and to which not only economic but also political and sentimental importance is attributed.

The simplest line of action would undoubtedly be to delimit new industries, for which the countries would attempt to obtain the advantages of the regional market without prejudice to existing industries, but this process would be extremely slow and intrinsically unsatisfactory.

The second line of action would be to seek a broadening of the market for existing industries which are operating below their full capacity, or which could be expanded to full capacity with little cost. Typical examples are railway materials in Brazil and steel intermediate products in Chile.

/The third

The third factor - and perhaps the most difficult - would be to renounce complete integration of certain industries within any one country in favour of specialization in specific phases or products, which could be produced on a more economic scale with the assistance of a regional market. It is conceivable, for instance, that Brazil could specialize in the production of certain tractor components, importing others from Argentina, and vice versa.

The need for gradualism, which is important because Governments still cannot measure either the techniques or the repercussions of the regional market, has not been ignored by ECLA. The first discreet and careful step was taken by the Trade Committee in Santiago, and confirmed in the discussions between the central bank representatives in Montevideo on the standard agreement for the multilateral clearing of balances.

If we prevent political frustrations from disturbing the clarity of economic reasoning, and if we start from the realistic principle that the majority of Latin American countries aspire to a certain degree of industrialization to diversify their economic structure, or that it will be impossible for any of the countries to strive to secure regional markets for their own industry without giving compensatory opportunities to the others; if, I repeat, we follow those principles, the idea of the Latin American regional market may pass from the happy kingdom of Utopia to the difficult land of reality.

/I hope

I hope that ECLA will devote its usual energy and vigour to this task of converting Utopia to reality. Since Dr. Prebisch seems to guide himself by the Norwegian refrain which the ex ex- Secretary-General of the United Nations, Mr. Trygve Lie, used to repeat, namely that " the difficult can be done immediately, and the impossible takes a little longer", I believe that the difficulties of the task will be overcome in due course.

Finally, I wish to express the interest of my delegation in the technical assistance activities of ECLA. Last year we saw two important initiatives in Brazil: the economic development programming course and a meeting in Sao Paulo of experts of the iron and steel making and transforming industries. From this meeting, which had international repercussions, there resulted a fruitful interchange of experiences which will undoubtedly have its influence on thepresent plans to expand the steel industry in Brazil and other Latin American countries.

At the end of this long discourse I would like to apologize to this distinguished assembly for the time I have taken up. Once, chatting in the United Nations, I heard a comment from Sir Alexander Cadogan, who then represented the United Kingdom on the Security Council, which has inhibited me somewhat regarding any voyage into oratory. "I have the greatest admiration", he said to me, "for Latin American speakers, for their capacity for converting an ounce of reality into a ton of words". I hope, gentlemen, that in

/the speech

the speech which I have just made, the relation between reality and words is a little less outrageous than Sir Alexander's comment would indicate.

I have no other way of guarding against the terrible sin of speaking too much than to promise you that in future I will maintain a high proportion of silence.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session

La Paz, Bolivia, 15 May 1957

STATEMENT BY THE CHAIRMAN OF THE DELEGATION
OF ECUADOR, MR. JOSE MARIA PONCE YEPEZ,
AT THE FOURTH PLENARY MEETING,
17 MAY 1957

My country comes with renewed zeal to this important session, where we are to discuss matters of common interest for the development and progress of the Latin American economy, seeking to improve the welfare of the population, which is striving to raise its standard of living and to ensure a more secure future, which constitute the basis of peaceful co-existence, the ideal of civilized nations and the hope of humanity. The Economic Commission for Latin America has called together the member countries to report to them on the work completed, and to receive new tasks from them, so that it may continue to study the economic problems affecting national, regional and continental development.

We bring the opinions of Ecuador to bear both on our own problems and those of more general character; we come to exchange views and to explain the reasons for our anxieties, to make use of the experience of others, and to offer our own in effective and practical co-operation.

Always acting in accordance with this criterion, we shall continue to work towards continental solidarity, excelling on each occassion, and on sounder foundations, past and present theories. The seeds of common effort will thus produce their

/best fruits.

best fruits. During the previous session at Bogota, we referred to the work of ECLA as missionary; it has made our countries anxious to promote the systematic study of basic economic problems, a field in which ECLA has undertaken studies of exceptional importance which have served to expedite the separate studies we have been making in Ecuador; we have discovered ourselves, what we are, what we have and what we lack, in general terms as a doctrinaire concept. We have made use of the experience, and a permanent desire has been kindled in us to rise to higher achievements, which are none other than those resulting from the efficient planning of future organic development. Our desire is the more urgent because our country has entered into a critical stage, caused by the exhaustion of the material for the partial study of our problems, and the examination of basic general matters cannot be further delayed; these, analysed jointly, as they are now presented to the observer, cannot provide satisfactory solutions from partial angles, but only through an efficient over-all programme. To pause at this time would be fatal to us, would lead to a negative attitude towards the former effort and would most regrettably nullify the progress achieved in the initial stages, based on the opportune and efficient ECLA study on Ecuador.

From its general function of guidance which has facilitated the observation of the economic structure of the countries of the continent, ECLA has steadily passed to the study of specialized subjects of great value to the region, showing that it is now ready to place finished, highly practical studies at the disposal

/of the

of the national organizations; such studies include, for example, the "Manual on Economic Development Projects" which deserves a well-earned tribute.

To co-ordinate the various elements of production in the agricultural and industrial fields with forest utilization and the extraction of mineral wealth; to determine their present values and to forecast their trends in the immediate and distant future; to seek immediate solutions in order to achieve the greatest utilization at the moment the problem arises, and to plan future development, maintaining harmony and proper balance with internal and external factors, that is to say, to programme national economic development - these constitute our basic desire, subject in every respect to actual national circumstances.

The countries must decide between two alternatives:

(a) The need to formulate general economic policy standards which modify the present structure of their economy, which cannot be achieved without a current evaluation of the country's distant future; and

(b) The immediate need to solve pressing problems which require urgent action.

In view of these premises, it would be desirable for ECLA to give more urgent assistance to those countries with scanty resources, so that, with ECLA's co-operation, they may carry out the long-term studies, determining the general framework and the maximum rate of growth compatible with their resources (skilled labour, available capital and foreign exchange) in order to reach the stage of evaluation of specific

/projects which

projects which the Governments desire to execute in order to meet their peoples' needs.

When Ecuador took its first steps in planning economic development, following ECLA's technique of programming, it was able to determine certain historic-economic background data which now enable it to sketch a general outline of its national development plan.

We thus find Ecuador faced with a situation where foreign exchange is gradually becoming the element in shortest supply, and therefore the limiting factor in the growth of the country. Investment is here confronted with a new obstacle to capital formation, whose rate of growth began to decline from the beginning of the present decade; although its effects are still not felt, they will be inevitable in the coming years, because of the time-lag between the initiation of a project and the time when it can offer goods and services to the market, unless we find new sources to finance the imports of capital goods.

Signs of instability in foreign trade are a natural occurrence in countries such as ours, which suffers from marked variations, either seasonal, characteristic of an agricultural production designed predominantly for export, or of external origin, due to a fall in the prices of its commodities on the world markets. Thus arises the need to be extremely cautious in the use of available foreign exchange, and to analyse carefully this instability and uncertainty which weigh heavily upon the under-developed countries, for which the appropriate

/international organizations ..

international organizations have taken upon themselves, with great responsibility, the task of seeking satisfactory means of promoting development in terms of security and regularity.

For many reasons, the international prices of primary commodities, which constitute the bulk of exports from the under-developed countries, vary widely from month to month and from year to year. Losses of export income are several times greater than the total foreign assistance and credit received up to the moment. Under these circumstances, the measures taken to stabilize prices of goods would be a much more powerful stimulant to economic development than the foreign assistance received; we should therefore be pleased to see agricultural price stabilization policy, envisaged from a national standpoint in a few countries, transferred to the international plane, with the assurance that benefits would be general and reciprocal.

Ecuador's economy, like many others in Latin America, has seen its foreign exchange income diminish during 1955, partly due to a deterioration in the terms of trade, compensated by an increase in the physical volume of exports, although the 1954 figure has still not been exceeded. In 1956, there was a relative improvement in the terms of trade and the volume of exports, which allowed the country to end the year with a slight balance-of-payments surplus. In this manner, the foreign exchange income of the country from exports returned to levels which we might consider more normal and stable, and which, although offering some security as regards

the payment of debts, nevertheless meant, from another point of view, a brake on the rate of growth of the economy and hence a decrease in the rate of growth of per capita income.

The loss of momentum in exports leads us to the second phase of development. We have come to look more and more towards the domestic market, mainly because of the great expansion in certain activities such as building, electrification agricultural production for domestic consumption and industrial production.

Ecuador knows that the secret of economic development must be sought in the domestic market. The impulse of growth, the dynamic element of the economy, must arise from the system itself, since we cannot rely on a regular expansion of external demand at a satisfactory rate. This introspection means a radical change of attitude on the part of a peripherial country directed towards the world market; development has brought us to the stage where energy must be sought with in our own boundaries. In his brilliant speech, Dr. Prebisch mentioned this phenomenon, which seems to be symptomatic of the income of an economy in a new phase of growth. We know that what is happening to us is not a problem peculiar to Ecuador, and we hope that its analysis and the account of our experience may be useful to the other Latin American countries.

Accordingly, the full significance of certain problems, which we had previously been able to overcome through the vitality of the export sector, is now beginning more or less suddenly, to appear.

/If future

If future development is to be based on the domestic market, both its size and certain defects which had previously been considered of little inportance become fundamental deterrents to economic progress. A small market is an insuperable obstacle to industrial development, which normally utilizes large-scale production, and the situation becomes even more complicated if, in addition to the small size, this oppresive market presents a special pattern which tends to break it up into multiple sectors, each somewhat anaemic. In that case, the market problem becomes a serious obstacle to an increase in agricultural productivity too.

Chronologically, our experience has been that we were first confronted with this disjointed structure of the domestic market, and we have been able to appreciate its adverse effect on agriculture. All our previous diagnose of this ailing condition covered only an isolated phase of the situation: we have shown at different times that the basic failings were the lack of communications, resistance to modern techniques, the land tenure system etc. At times we have blamed the backwardness on our tortuous geography. All these diagnoses were true to a certain extent, but none went sufficiently deeply into the matter. It is true that all are contributory causes, but all of them, and even others too, may be included in this lack of integration characterizing the domestic market; the co-existence of water-tight microcosms without communication or mutual influence, revolving in their own orbit with only primitive regulating machinery, led to a chaotic interweaving

/of price

of price systems in the domestic market at the national level.

In this presentation of the situation, we do not intend to analyse the causes of this state of affairs. Geography and history, absence of communications and village psychology all played their part, but the fact is that this complex of causes, many of which operate in other Latin American countries, lead to the isolation of agriculture from technical progress. This activity, neglecting modern marketing systems, fossilized by the absence of mobile factors, leads to an uneven distribution of the population, the over or under-valuation of land, often in neighbouring regions, and to the absence of a regular flow of capital towards other economic activities, leaving aside many pathological results.

It is easy to understand the difficulties which confront agricultural policy in many under-developed countries. To be efficient, it must not lose sight of the need to act as a co-ordinating factor, which involves such a multiplicity of simultaneous lines of action that its execution on a national scale would require an almost unbearable effort to promote capital formation.

Having described this situation, which may be an evil common to many of the countries represented here today, we will mention briefly another great problem which also arises from the characteristics of the market; its insufficient size for furthering sustained industrial development. While some Latin American countries are only now commencing to feel the limits of the market, this factor has for a long time weighed heavily

/on the

on the progress of our industry, in a similar manner to that which must have ocurred in other small, sparsely populated Latin American countries. This is the reason why Ecuador has enthusiastically supported all formulae which may lead to an integration of its economy with that of other sister countries, and why we congratulate the Central American countries so sincerely for their fruitful efforts at economic union. As regards our countries, it may be said that the size of the market not only prejudices the development of heavy and medium industry, but also impedes the expansion of light industry, which often requires almost permanent protection.

None of the representatives will fail to appreciate the gravity of this fact. We all know the essential function of industry in economic development. The distinguished Executive Secretary of ECLA, Dr. Prebisch, has also described to us the role played by industry in agricultural development. Faced by the rigidity of foreign markets, industrial expansion is a prime condition for an increase in agricultural productivity, since it absorbs the displaced labour. But our experience has drawn our attention also to a basic fact which we believe should be given its due emphasis: the integrating impetus which is characteristic of industry.

Industry is an enemy of the small size of the market. By its nature it fights spontaneously against fragmentation, and its action contributes substantially to offsetting this splitting-up of the market. When, in spite of all obstacles,

/industries begin

industries begin to be installed, their action is immediately seen in increased fluidity of production factors, largely induced by the emergence of new enclaves of monetary economy which accompanies industry. Its impulse is noticeable in the breaking-down of the social and psychical standards favouring isolation, and in the spreading of the technical atmosphere which is also typical of this activity. To a greater or lesser degree, and depending on the localization and size of the industry, the original dismemberment of the market disappears in the industrial centre, and a genuine process of integration commences, thus stimulating agricultural development, which in many countries was hinded most by the fragmentation of the domestic market. In spite of Ecuador's limited industrial development, this dynamic and integrating effect is noticeable in areas of greatest industrial intensity.

Seen from this point of view, the industrialization process is not only a condition for the expansion of agriculture, but also an active instrument in this same development. We are not referring to irrational industrialization, but to a balanced growth, based mainly on the utilization of existing resources, and guided by industrial policy organizations which understand the objectives and possibilities perfectly. Maintained within these lines, industrialization has an undeniable consolidating power, which can be deliberately used.

It is nevertheless true that the integrating action of

/industry can

industry can only incidentally lower the administrative barriers of national frontiers. For this reason, if the domestic market is not large enough, bases for industrial development are also lacking, which is unfortunate not only because it deprives countries of the advantages of a reasonable diversification of production, but also because it robs them of an efficient weapon for dealing with those defects of the domestic market structure which hamper agricultural development. It is a new facet of the basic contradiction weighing on the economy of our countries: the vicious circle of under-development.

In view of these market problems, my delegation appreciates that very little can be done without a true sense of international collaboration. More refined instruments of economic action must be brought into play, and the valve of ECLA's assistance and technical capacity is incalculable in their study and application. The shortage of capital, which will not be remedied if foreign financing continues to be as meagre as it is today, compels us to try to approach the solution of these problems husbanding our resources and efforts to the utmost, and we know well that this can only be achieved through economic programming, a field where the work of ECLA deserves America's gratitude.

This does not mean that the countries must expect everything from international collaboration. We lack information on certain aspects of economic life, the knowledge of which is essential, but we understand that the responsibility is primarily ours. The country has made every effort to find

/solutions to

solutions to the market deficiencies mentioned earlier. The stagnation resulting from a broken-up domestic market is so evident that economic policy has been compelled to devote a disproportionate amount of effort to its elimination: transport programmes, irrigation, electrification works, etc. But the cost of such a policy is so high that, at times, we have feared for the economic stability which our country has achieved after so many struggles, and which has been zealously maintained for many years. It has been necessary to reconsider the aims of the economic policy. Without abandoning works of vital interest, it has been considered that the stimulating effect might be achieved - avoiding disequilibrium - by concentrating efforts on building up economic centres, both agricultural and industrial, whose dynamic effect on the economy would be self-generating once the centres became active. To a certain extent, the general, multiple political action, which attempted to cover all aspects, has been abandoned in favour of a technical and reflex economic action, which weighs the expenditure of resources and effort with the same care with which it evaluates results. The creation of the centres has thus become one of the fundamental aims of economic policy.

In the agricultural sector, the Government of Ecuador believes that resettlement is the best means of establishing centres which, once operative, would become true generators of economic development. The Government is convinced that resettlement is a powerful integrating element, which could

/eliminate many

eliminate many obstacles in the path of agricultural development, instead of resorting to a dispersal of effort which might prove futile. For this reason, our Government is studying pilot resettlement projects which will shortly be put into effect. However, since resettlement is a complex process which requires careful prior study, and in which we lack the necessary experience, our delegation believes that ECLA's assistance would be decisive at this moment when we are initiating a new land policy, which, we understand, follows the prevailing trend in many Latin American countries. We have studied the document entitled "Manual on Economic Development Projects" which has been presented to this session. We would like to suggest that ECLA should study the possibility of applying this technique to a specific resettlement project, which would be the start of an authentic methodology in this connexion. Our concern about resettlement in its broadest sense has also led us to examine a problem which will grow in importance with the passing of time. Any resettlement process presupposes a reform of the land tenure system. The problem of the large landowner has been thoroughly studied already; a bibliography exists which includes an appreciation of the results of some interesting experiments, such as the land reforms of Mexico and Bolivia; on the other hand, research seems to be lacking on the solution of the acute problem besetting the small landowner. Our delegation believes that the adverse effect of the small holding has perhaps been understimated; it also tends to become aggravated with time, and we believe that special

/attention should

attention should be given to the problem, naturally without neglecting the work connected with the other aspect of the problem - the large holding.

In the industrial sector, as we have already mentioned, the problem presents different characteristics. The creation of industrial centres presupposes the elimination, or at least the progressive removal, of obstacles arising from the size of the domestic market. In practice, the dynamic power of industry increases in proportion to its complexity and technical pattern, but industry can never prosper in our countries if they do not, by common agreement, achieve a widening of the markets. It is true that it may still be possible to achieve some development within present limits, but for this purpose the special guidance which must come from the efficient administration of industrial development policy is lacking. Given the characteristics of activity in this field, a special sensitivity is required on the part of the administration, which is very naturally lacking in many Latin American countries, accustomed to the demand of an under-developed agricultural economy. Under these conditions, we would venture to suggest that ECLA should make a careful study of the problems arising from the defective administration of industrial policy, and formulate recommendations which might serve the Latin American countries as a basis for organizing and administration commensurate with the dynamic trend of industry.

Yet we are very well aware that not even the valuable contribution of ECLA in this field could solve the basic

/problem. It

problem. It is obvious that, given the present size of the markets in the Latin American countries, it is impossible to be confident about industrial development. The only hope lies in the conceted action of the American countries to establish bases for the minimum integration of the markets for certain commodities, which could ensure a sufficient broadening of the market for the industries concerned. It is our duty to acknowledge that, in this field also, we have to thank ECLA for the first specific and practical action: its proposals and studies relating to a regional market, the establishment of less rigid payments systems and, in general, its studies of inter-Latin American trade. We agree that it is better to initiate action with feasible projects, and we take this opportunity to congratulate the Trade Committee on its assiduous efforts to promote the gradual integration of the Latin American economies. We believe that we should stress the urgency of research on these aspects of inter-American economic relations, and we recommend that ECLA should assign the highest priority to the relevant programmes. We are without doubt in a phase of development of the Latin American economies where the attitude which Dr. Prebisch, in his address to the Trade Committee, described as "constructive imagination and boldness" is essential.

Mr. Chairman, gentlemen: the delegation of Ecuador is pleased to attend this session of ECLA, in the beautiful capital of Bolivia, a country for which we of Ecuador cherish

/traditional feelings

traditional feelings of affection and friendship, and for whose hospitality we are grateful and appreciative as a fine example of fraternity and international co-operation.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session

La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. LEON ALFONSO PINO, REPRESENTATIVE OF VENEZUELA, AT THE FOURTH PLENARY MEETING, 17 MAY 1957

Venezuela is doubly pleased to take part in the seventh session of ECLA; both for the interest and benefits to which these discussions give rise in each of the Latin American countries, and for the opportunity to meet in a capital closely linked with our own history. In the name of Venezuela we express thanks for the friendly reception by the Government of this sister republic in the noble city of La Paz.

As an essential instrument of the United Nations for forging international co-operation in the economic development of the Latin American countries, ECLA has carried out a task which fully justifies its existence, since its collaboration has been so extensive that today we understand much more about American continental and regional economic problems. The extensive agenda based on studies prepared by the secretariat of the organization to be discussed in turn, will give us a full account of those problems. The Venezuelan delegation would like to expound briefly some of its preoccupations regarding certain outstanding questions concerning the Latin American economy as a whole, and its own in particular.

The most tenacious struggle of the Latin American countries since the war has been to attain full economic development. This

/development must

development must take place, however, as has been seen in recent times, not only through sound and co-ordinated domestic programmes, but also through the firm support of measures of international co-operation. This support, in the case of our continent, must have a practical rather than a theoretical character, since the economy of our countries depends fundamentally on exports of certain basic commodities. It may almost be said that this fact has been mentioned at all inter-American conferences, and possible solutions have been incorporated in many resolutions and agreements. In the most recent history of this organization, the sixth session, held at Bogota in September 1955, resolution 102 was adopted in which the continuation of the analyses of the main basic commodities in the economy of the Latin American countries was urged. These studies will undoubtedly contribute to an understanding and solution of the problem. But it must be stressed that what is necessary for its complete solution is an inter-American properly balanced economic policy based on a more precise concept of real market conditions so that not only daily but also in emergencies it can cope with collective requirements for the welfare and security of the continent. No country in America should try to take individual action, otherwise it will run the risk of affecting other Latin American economies and perhaps its own by doing so.

As regards Venezuela, we are convinced that, although in view of our economic situation it may seem strange, it is in America itself that we find our economic reality. We have always

/considered, as

considered, as proved by many of our international actions in recent years, that the achievement of the welfare of the community is more important than our private interests.

So far as the financial aspect is concerned, for instance, Venezuela has shown its spirit of inter-American co-operation by suggesting an instrument for the solution of the problems inherent in the economic development of America.

Our somewhat privileged situation, due to our abundant natural resources, that has not only drawn our attention to the continental responsibility which I have just mentioned, but also to the objectives we must achieve, as quickly as possible, in order to finance the full economic development of the country. I would like to refer briefly to the progress in certain important sectors of the Venezuelan economy, using as terms of reference the data and figures which were presented to this Commission at the Bogota session. I believe that in this way we can outline our achievements from 1955 up to the present.

While in the years 1952-53 the confidence of foreign capital was evident from investments of 3,000 million dollars, this figure increased in 1954 to 3,961 millions, and to 3,959 millions in 1955. This has had a marked influence on the national income, which increased considerably to 3,062 million dollars in 1953 and 3,296 in 1954; this figure was again exceeded in 1955.

Although in 1955 Venezuela occupied second place among the world's petroleum producers, its present economic development belies the theory that the country depends on only one product.

/In fact,

In fact, in the same year, Venezuela produced 8,439,450 tons of iron, and the present Government, conscious of the great importance to the economy of our country of the creation of an iron and steel industry, will inaugurate next year a plant with a capacity of 421,000 tons annually of steel and finished products. This plant will operate with electric power generated by the River Caroni, a tributary of the Orinoco, where there is a project for the installation of a power station with six groups of turbo-generators of 50,000 kW each. The electrification of the Caroni will serve as a basis for the establishment of an aluminium industry, and will obviously be an important step in the incorporation of Guayana in our economy. Mention must also be made of the importance of the Industria Petroquimica, which is responsible for promoting national ore and hydrocarbon enterprises with a view to the mechanization of economic development.

As regards agriculture and livestock in Venezuela's economy, a high rate of expansion has been maintained during the past two years. Since the agricultural development policy has been directed towards the selective expansion both of production and consumption, self-sufficiency has been attained in a relatively short period in certain items such as sugar, rice and maize, for the efficient production of which favourable conditions exist. Between 1948 and 1955, the following increases in the value production were registered: agriculture 28.9 per cent; livestock 57.3 per cent; forest products 38.4 per cent, while the

/fisheries achieved

fisheries achieved an increase of 30.3 per cent in 1955 as compared with the previous year. To show the interest of both the public and private sectors in agricultural activities, it is worth mentioning the increases in investments in this sector, which exceeded 1,492 million dollars in 1955, representing a rate of capital formation in excess of 15 per cent; yet Venezuela still does not consider this to be sufficient.

The two traditional Venezuelan crops, coffee and cacao, have both maintained their customary levels; in 1956 coffee accounted for 1.5 per cent of our exports and cacao 0.5 per cent.

Among the Government's major projects for the incorporation of new lands into agricultural production, there is that of the State of Guarico, in the centre of the country, where work is proceeding in 110,000 hectares of irrigated flat lands devoted to agriculture and livestock. Under the general land distribution plan, the authorities administering the project have already assigned the first allotments. The cost of this project is estimated at 89,552 million dollars. In addition, the Bocono-Masparro dam project is in course of execution; this will cover 120,000 hectares in its initial stages.

I have mentioned a few of the aspects of our country's efforts to achieve full economic development. The construction of roads and airports, port improvement, the establishment of a national chain of tourist hotels and the building of schools are all proceeding simultaneously with this progress, and there has

/been a

been a wave of immigration which amounted to 378,201 persons in 1955.

Nevertheless, Venezuela spares no effort in directing its economic development along properly planned and logical lines. During the kind visit of Dr. Prebisch last year, official economic sectors discussed with him a course for economists and technical and specialized officials of the public administration on the planning of economic development. The course will be held at the end of the present year, and judging from the results achieved in Brazil, Chile and Colombia, official and private national economic circles have great hopes as regards the outcome.

ECLA studies of the economic development of the different countries, made at the request of the Governments concerned, constitute another fruitful example of collaboration between the Commission and the Governments. Venezuela would be most interested in a similar study, which is projected for the near future.

Finally, the Venezuelan delegation wishes to stress the importance of item 11 of the agenda, referring to foreign trade, and more specifically to inter-Latin American trade. Perhaps one of the most useful resolutions adopted at the Bogota session was resolution 101, on the intensification of inter-Latin American trade, and the establishment of a Trade Committee, with a view to attaining that objective "without prejudice to the expansion of trade with other regions and mindful of the fundamental necessity

/of increasing

of increasing over-all world trade - through a solution of the practical problems which hamper or delay such trade and the preparation of bases to facilitate trade negotiations".

This Committee met at Santiago in November 1956, and adopted four resolutions, known to all present, which laid down the bases for what may become an inter-Latin American regional market. We in this assembly also know the progress so far achieved in the studies undertaken by the Committee. Thus, as Venezuela has always advocated the liberalization of trade at the international level on bases which would ensure equality of access and market stability for those commodities which are fundamental to the economy of the countries, we now reiterate that belief in this assembly, and express the hope that the principles of resolution 101 of the Bogota session, and of the resolution on economic development adopted during the Quitandinha Meeting of Ministers of Economy and Finance of the Latin American countries may be incorporated in an instrument which guarantees as far as possible these declarations of principle. We hope that from this seventh session of ECLA there will emerge more specific ideas on the subject of increasing inter-Latin American trade, possibly leading to the adoption of definite standards by the economic conference to be held at Buenos Aires next August.

The Venezuelan delegation expresses the hope that the discussions which we have just commenced will prove to be a guide and a stimulus, so that each one of our countries, and the continent as a whole, may attain greater economic development and prosperity.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session

La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. JAMES THYNE HENDERSON, REPRESENTATIVE OF THE UNITED KINGDOM, AT THE FOURTH PLENARY MEETING HELD ON 17 MAY 1957

This is the first occasion on which I have had the advantage of attending a Session of the Economic Commission for Latin America and it is a most valuable and satisfying experience.

Her Majesty's Government in the United Kingdom hold this organization in high esteem for its efficiency and for the vigorous enterprise and initiative with which it is fulfilling its role in assisting economic progress in Latin America.

I have now had the opportunity to see for myself how well this reputation is deserved.

It seems particularly appropriate that this Session is being held in the Capital of Bolivia, a country which is tackling its severe economic difficulties with commendable courage and resolution.

In the name of my Government, I thank the Government of Bolivia for their hospitality.

In the two years since the Sixth Session at Bogota, E.C.L.A, has much solid achievement to its credit.

One of the most notable achievements has been the progress towards multilateralism.

/The United

The United Kingdom has shown a constant interest in the freeing of trade and payments in Latin America and we are pleased to note the progress that has been made in replacing bilateral agreements by agreements for settlements in transferable currencies.

At the time of the meeting in Bogota, the so-called Hague Club had just been formed, and there was constructive discussion of the advantages of multilateralism.

Since then, the principles of multilateralism have been widely accepted in Latin America and great strides have been made in many countries in putting them into practice.

This momentum must not be lost but it is essential to ensure that any new arrangements which may be planned from time to time, do represent a genuine move away from bilateralism and towards a truly multilateral system of trade and payments.

It is to be hoped that the freeing of payments between Latin American countries will be accompanied by a progressive freeing of payments between them and countries outside Latin America.

The balance of trade between the United Kingdom and Latin American countries as a whole normally shows a considerable balance in favour of the latter, and thus provides Latin America with important transferable foreign exchange resources.

In other respects our trade offers practical assistance to this continent.

/There is

There is an urgent need in Latin America for credit to finance the import of capital goods which are so essential for development and industrialization.

The United Kingdom is able to play an important role by supplying such goods on generous credit terms which our Export Credits Guarantee Department is prepared to cover.

If one considers our medium-term exports only, and in particular that portion which goes to South America, it is interesting to note that at the end of January last the amount of such exports, for which cover was granted by our Export Credits Guarantee Department, was no less than £24,5 million; and this amount represented nearly one-fifth of the cover which was being granted for our exports to the entire world.

These figures demonstrate very well the large volume of credit which the United Kingdom is making available for Latin America, and the importance which we attach to this region.

The activities of E.O.L.A. cover many fields.

We admire the thorough studies which are made of the economic problems of individual countries and Her Majesty's Government especially applaud such practical undertakings as the meeting of experts on steel making and transforming industries which took place at San Paulo last year.

Such initiative as this and the assembling of experts from many nations to talk the international language of

/their industry

their industry can do nothing but good.

The United Kingdom Government were glad that a number of representatives of the United Kingdom steel industry were able to take part in the San Paulo meeting.

Mr. President, it is a safe prediction that material expansion in Latin America in the coming years will be very considerable, probably outstripping that of most other regions.

I am sure that my country with its long tradition of participation in overseas development will play its full part in the development of Latin America.

I should like to emphasize in this connection that this is not a Government matter; the investment of British capital abroad is a matter for the individual investing firm, and the Government cannot influence the firm's judgment on whether or where to invest.

It is obvious that the individual investor will be attracted to the regions which offer him the most suitable conditions.

He will look for assurances that his normal rights in his investment will be respected and he will also look for stability in the country concerned.

I have no doubt that what I say of the British investor applies equally to investors in other countries; in other words, whether foreign capital is to be attracted to Latin American countries will depend mainly on the countries concerned.

/For this

For this reason, the efforts which many countries in Latin America are at present making to achieve economic stability have special importance.

Investing countries are watching these efforts with interest and sympathy.

I am confident that we shall see an increasing flow of British capital in this direction in the coming years just as we shall see an increasing flow of British capital in another form - technical assistance and expertise - moving in the same direction.

Her Majesty's Government will welcome both.

Here I may add that the contribution of Her Majesty's Government to the United Nations Expanded Programme of Technical Assistance continues to be on a very large scale.

This contribution takes the form of money, experts, and facilities for study and the acquiring of technical experience in the United Kingdom.

I am happy to see that a large part of this contribution is being devoted to projects which are being carried out in Latin America.

And now, Sir, I hope that I will not be taken amiss if I offer a few words of criticism.

I refer to the delay in issuing the documents for this Session of the Commission.

I need hardly emphasize how difficult it is for delegations to make their proper contribution to the

/discussion of

discussion of the important, and often complicated, matters with which the Commission deals, if the papers to be discussed are not issued in good time.

We are all agreed, I am sure, that Governments must be given the opportunity to study carefully the documents dealing with the various items on our agenda, so that they may be able to issue appropriate instructions to their delegations.

On this occasion, this has unfortunately been impossible, at least as far as Her Majesty's Government in the United Kingdom are concerned.

This delay in issuing the relevant documents is, in the view of my delegation, not only detrimental to the efficient conduct of our work but also an indication that we have placed too heavy a burden upon the hard-working Secretariat. The Co-ordination Committee will no doubt deal in detail with this whole question.

At this stage I should merely wish to emphasize the keen interest of the United Kingdom delegation in the streamlining of the Commission's programme of work.

The necessity for the streamlining of the work of all the Regional Economic Commissions was emphasized, after a long debate, by the Economic and Social Council at its Summer Session last year, and the Council will take up the question again at its Session this Summer.

We sincerely hope that the Economic Commission for Latin America will take action at this Session in accordance

/with the

with the decision of the Economic and Social Council, and will ensure that the skill and energy of the Secretariat are concentrated upon projects of direct benefit to the countries of Latin America.

Mr. President,

If I have dwelt at some length on this last point, it is because Her Majesty's Government are keenly aware of the most valuable contribution which this Commission has made, and whithout doubt will continue to make, to the economic welfare of Latin America.

We are deeply interested in the work of ECLA and anxious that it should have the optimum effect.

And, in spite of offering these few words of what is intended to be constructive criticism, I must pay a well-deserved tribute, on behalf of the United Kingdom Delegation, to the most competent and devoted work of the ECLA Secretariat under the distinguished and stimulating leadership of Dr. Prebisch.

I should like, also, to express the sincere desire of Her Majesty's Government for the successful outcome of this Session, and their best wishes for the future of the Commission's work.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 17 May 1957

ADDRESS DELIVERED BY Mr. LUIS MELGAR, REPRESENTATIVE OF GUATEMALA, AT THE FOURTH PLENARY MEETING, 17 MAY 1957

On this occasion, and not wishing to depart from the tradition, maintained by the Central American countries at recent international meetings, according to which one of the delegations speaks on behalf of all of them on the problems of the region, and since the representatives of all the Central American countries unfortunately have not yet arrived, I hope that I am interpreting the opinions of the absent members. On behalf of Costa Rica, El Salvador and Guatemala, I have the honour to make the following statement:

The primary purpose of this session is that, on the basis of mutual co-operation, we shall achieve the economic development of our countries; this means greater utilization of our natural resources, based on the application of techniques for improving productivity, with a view to the ultimate attainment of a higher standard of living.

In spite of the fact that the Economic Survey made by ECLA tells us that the rate of growth of gross income in Latin America was lower in 1956 than in previous years, it also adds that there is a sustained rising trend, and that there are favourable symptoms, since the gross investment in fixed capital assets increased by 6 per cent. This shows that, albeit slowly, some economic development is being achieved in

/the region.

the region.

Savings in our countries are very low, and we therefore depend to a great extent on foreign investments, since the savings alone are insufficient to provide the investment required by economic development.

The ECLA Survey also stresses that the greater part of the investments came from private sources. Furthermore, there has been an increase in foreign investment in the area, improving the capacity to import of our countries. This increase in the inflow of capital is largely due to advances in the social capital sectors such as transport, electric energy, education and others.

I would like to make special mention of the Central American development plans for roads, electric energy, education, and the increased use of agricultural production techniques. This programme has been made possible by the high prices of our exportable commodities, such as coffee and cotton, which have provided the foreign exchange needed to import the capital goods essential to economic development.

But in view of the instability of world prices for these commodities, the Central American countries have been seeking a formula which would enable them to diversify their exportable commodities, thereby reducing this instability.

The Central American countries have realized that one of the main obstacles to industrial development is the lack of markets; for this reason they have made great efforts to create a regional market.

/The Central

The Central American countries have realized that one of the main obstacles to industrial development is the lack of markets; for this reason they have made great efforts to create a regional market.

The Central American economic integration programme is very extensive, and since at this time I do not wish to go into great detail, but only to stress its chief points, I shall mention only the following aspects:

1. The Multilateral Treaty, which includes a list of commodities which may be traded freely for a period of 10 years; tariff equalization for commodities outside Central America, and other matters relating to the facilitation of transport and investment in the region.

2. Standardization of tariff nomenclature.

3. The Agreement on Central American Integration Industries, and industrial development agreement for Central America, creates a series of industries which will enjoy a free market, and which will be distributed equitably and in accordance with the natural resources of each of the countries. As a corollary to this industrial system, the Central American Industrial Initiative Commission was set up in 1956; in this Commission the private sector indicated the localities which will be considered later as possible industrial areas. Here the close co-operation between the public and private sectors in Central America is seen. This aspect is very important, since private investment is much greater than public, and it is to be hoped that, if the existing harmony between these two sectors is maintained, the Central American economic development programme will be executed within a short period.

/In this

In this respect we have received notable technical assistance from the United Nations, and especially from the ECLA Mexico Office, which has made a series of relevant studies, including one of the pulp and paper industry, which, based on technical studies by FAO, will probably be situated in the Republic of Honduras. This is the most advanced Central American regional industry, but there are other projects such as tyres, paints, petroleum derivatives, glass products, etc.

4. As regards actual achievements, we may point to two technical organizations: the Central American Research Institute for Industry, with its headquarters in Guatemala, which will help to solve industrial development problems, and especially carry out research into such industries as may be considered as possible future integration industries. We also have the Advanced School of Public Administration, in Costa Rica, which will fill the need in our countries for training personnel qualified to contribute to the better organization of our institutions.

5. There is a project to set up a Central American Geological Centre; it has been requested that its headquarters should be in Costa Rica. The Central American experiment in devising a programme of this type must on no account be regarded as an isolationist movement. On the contrary, it signifies a closer approach to the general Latin American programme, and also an increased capacity to purchase abroad, since it has been shown that, as countries develop, they are better customers of the industrialized areas.

/Mr. Chairman,

Mr. Chairman, gentlemen: I have presented briefly some preoccupations of Central America as regards an integration programme which, I hope, will serve to show that co-operation and mutual understanding can contribute to the economic development of our countries.

Firstly, I wish to state that our countries appreciate the efforts which the Republic of Bolivia is making to solve its economic problems, and also to express our gratitude for the magnificent hospitality with which we have been welcomed and which will remain for ever in our hearts. We must also acknowledge the tremendous task carried out by ECLA, which, under the direction of the distinguished Latin American economist Dr. Raul Prebisch and aided by his technical staff, is in our opinion a real guarantee that our interests in the field of economic development are being looked after. We also wish to place on record our gratitude to the Director of the ECLA Mexico Office, Dr. Victor L. Urquidi, for the splendid collaboration and understanding which he has extended to us in every way.

In the name of my country, and on my own behalf, I thank the other Central American delegations for the honour of having this opportunity to speak about some of our economic problems. Finally, it gives me great pleasure, on behalf of the Central American countries, to express our sincere thanks for the opportunity of making these general remarks on the economic programme of Central America.

Information document No.20

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. OSCAR GUAROA GINEBRA, REPRESENTATIVE OF THE DOMINICAN REPUBLIC, AT THE FOURTH PLENARY MEETING, 17 MAY 1957.

The agenda of this seventh session of the Economic Commission for Latin America provides an opportunity for examining subjects so complex, and of such great importance to the present economic situation in America, in relation to world economic trends, that, when analysing the economic development of our countries and the factors which stimulate or hinder that development, it is essential that we approach this examination with the greatest goodwill and frankness if we are to hope for solutions which will redound to the good of our respective economies and better inter-American understanding and unity.

The studies of ECLA have opened new horizons and prospects; the Dominican Government, with true pan-American spirit, is convinced that this session will bring positive solutions, founded on realistic bases, leading to continuous and efficient economic development.

The economic matters which occupy our attention are so closely interlinked that they must be dealt with in a co-ordinated manner if harmonious conclusions are to be reached. Economic development is closely connected with the problems of prices and expansion of foreign trade.

The repercussions of the increase of international trade

/on our

on our economies are obvious; hence it is important that Governments should recognise this fact when planning their respective development programmes, but they should also appreciate that international trade, without being an end in itself, is the means which enables a country to exchange surplus goods and services for those which it does not possess. The economic structure of most Latin American countries is founded on exports of its primary commodities, the principal source of foreign exchange. When studying the foreign trade of these countries it must be remembered that the volume of exports of its primary commodities is determined by the level of total exports and not by the true needs of these countries; variations in the demand for those commodities are thus inevitably projected in their economies. While any expansion in the need to import results in an immediate increase in imports, a reduction in this demand is more difficult to adjust, and often has a disturbing effect on the balance of payments.

To achieve a balanced expansion of the economy based on foreign trade, this latter must be at the highest possible level, or at least never less than the rate of increase of economies in which it is the main source of revenue for development; it is also necessary that this trade should be on an equitable and fair basis, thereby assuring mutual benefit by reciprocity in real terms.

The terms of trade of exporter countries of primary

/commodities thus

commodities thus become especially significant, and at this time constitute a limited trade movement.

The importance and special characteristics of this factor in the trade of under-developed countries is not always taken sufficiently into account when considering terms of reciprocal trade, and this is mainly reflected in restrictive trade practices, through quota systems and preferential tariffs. We therefore consider that attention should be called to the urgency of a wider and more effective economic co-operation between Latin American countries. Our export raw materials are at times subject to violent fluctuations, usually to the detriment of our economies, which makes it necessary to increase steadily the share of industrialization in supporting our economic growth, diversifying our production to ease the effects of these fluctuations, since for the present foreign trade continues to be the principal source of capital goods, raw materials and other elements essential to our economic development.

Examination and analytical study of development problems through basic and technological programming are essential for the Latin American countries. Without belittling its effectivity, we cannot base ourselves solely on foreign aid to solve our problems - on the contrary we must try to develop our own natural resources efficiently. The Dominican Government's economic planning has been that of stimulating a rapid and systematic development of our productive sources, maintaining high standards of living and employment, and at the same time the stability

/of the

of the economy.

For the Dominican Republic, the elimination of the obstacles hindering international trade and free access to the consumer markets, the maintenance of equitable prices between industrial products and raw materials, and the expansion of regional trade are most urgent requirements. It is as well to state clearly that development cannot be programmed if there is no relative stability in the market as regards price and quantity, since this is possibly the most effective means of paying for the imports required for the development programme, and if the prices and volume of demand for our products are unknown, the preparation of long-term programmes is most hazardous.

The Dominican Government has programmed our economy, and one of its aims has been to reduce dependency on external markets. We have already stressed that foreign trade is the main source of acquiring the means to finance development in under-developed countries, but we consider it essential that the productive resources of these countries should be stimulated, since economic development cannot be attained exclusively through the monetary policy. Any programme of this type requires, in addition to the financial angle, the adoption of technical, administrative, social and educational measures and the solution of the associated problems by means of a continued and intense study of the productive resources and possibilities, of their educational methods with the object of co-ordinating them with

/current fiscal,

current fiscal, foreign trade, public works policies, etc., and with the programme for increasing production.

The Dominican Government has built its development programme on sound scientific bases, and over this there is a social-economic structure creating a good road network, schools, hospitals, dwellings, port improvements, irrigation, agricultural mechanization, public buildings, etc. This extraordinary transformation has so far been achieved mainly with our own resources, by means of a government policy characterized by its administrative efficiency, stimulating domestic and foreign investments through the introduction of a sound fiscal system, the maintenance of stable monetary and banking systems, encouragement of saving to raise productivity and to achieve economic progress without inflation, the training of skilled labour and the channelling of public spending and capital investments.

The Dominican Republic is an essentially agricultural country - in spite of the creation and improvement of our industries, which will be mentioned in its turn - and therefore each day attempts are being made to increase agricultural efficiency by improved techniques. With this object, a great network of irrigation canals has been built or improved, experimental agricultural stations and land distribution has been improved and co-operatives have been set up. In 1945, the Banco de Credito Agricola e Industrial was founded, allowing liberal credit and long terms, which have led to a total cultivation of approximately 25 per cent of the total land area, which is

/possibly the

possibly the highest index in Latin America. Credits granted by this bank during the past year amounted to RD$21,430.00.

Chiefly as a result of this credit, our exports were RD$126,481.00 in 1956, compared with imports of RD$108,392.00, giving a favourable trade balance of RD$18,388.00.

Nevertheless, it is regrettable that the foreign exchange which my country should have received is reduced by trade restrictions in its natural markets, where more stable prices are paid for sugar - our main export product - which has a negative effect on our economy, and on the current development programme, all due to arbitrary discrimination and obsolete quota and preferential tariff systems.

Our monetary and banking activities in 1956 were characterized by their stability, and the absence of inflation or exchange problems. The total assets of the domestic banking system rose in this period to RD$404,238,000.00, of which RD$81,596,000.00 are of the Banco Central de la Republica Dominicana. Monetary reserves showed a figure of RD$34,829,000.00 at December 31 1956, against an emission of RD$58,677,000.00, or a proportion of 59.36 per cent. Invested industrial capital rose to RD$225,000,000.00 in 1955, compared to RD$84,000,000.00 in 1946. Mention must be made of the promulgation of industrial and agricultural franchises, with the object of stimulating outside capital investments, mainly for the diversification and expansion of agriculture and industry.

/During this

During this period the gross national product rose to RD$570,000,000.00 which is an increase of 9 per cent over 1955. This was mainly due to the multiplying factors of investments made in 1955. In 1956, investments in the private sector rose to 42.9 millions, and those of the government to 66.8 millions. Nevertheless, private investments during this period increased in greater proportion than public, which indicates that private initiative contributed efficiently to the maintenance of the high levels of economic growth and expansion.

Mr. Chairman:

The Dominican delegation wishes to express its sincere gratitude to the Bolivian government and people for their hospitality and effective co-operation in the preparation of this conference. We also wish to congratulate the Executive Secretary of ECLA, and through him all his staff, for the valuable documentation presented, and at the same time to ask all the delegations to work in an atmoshphere of sincere and decided co-operation, since only in this way can we make progress towards effective economic co-operation, which, although it is an arduous task, is one of the most efficient means of achieving and sustaining inter-American solidarity.

Information document No. 21

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. JOSE GOLDSACK DONOSO, REPRESENTATIVE OF THE INTERNATIONAL FEDERATION OF CHRISTIAN TRADE UNIONS AT THE FOURTH PLENARY MEETING 17 MAY 1957

Firstly, I would like to thank you for the opportunity given to me to associate the Christian workers of Latin America with the discussions of this seventh session of ECLA, interpreting their anxieties and aspirations through the representative of the International Federation of Christian Trade Unions.

Our organization is interested in all the items on the agenda, since they all have their effect on the direct interests of the working classes: monetary situations, trade, trade in primary commodities, the agricultural situation and the Latin American regional market are all problems which the IRCT and the Latin American Confederation of Christian Trade Unions (LACCT) have studied as the qualified representatives of the workers of this continent.

In view of the extensive nature of today's order of the day, I shall not be able to speak on each of the points in this session, which I believe we must consider as one of evaluation, to measure the distance travelled, and to set new goals. I shall therefore limit myself to three special aspects of ECLA's action: commodity trade, the agricultural situation, and the Latin American regional market.

/COMMODITY TRADE

COMMODITY TRADE

For Latin American workers in 1957, whatever may be the hopes for industrial and agricultural development, this problem remains the prime difficulty, which must be solved first.

Not only the individual situation of each worker, but also the equilibrium of national economies, monetary stability and even peace between neighbouring countries depend upon the fluctuations in certain commodities which we produce, while neither industry nor agriculture can attenuate the effects of these fluctuations.

It is in fact almost impossible for the workers that private interests should be practically the rulers of their destiny; nor can we deliver ourselves to the goodwill or good intentions of this or that proposal for the orientation of these private interests. The only valid solution, in our opinion, lies in the international organization suggested by the United Nations for primary commodities. Augusto Vanistendarl, General Secretary of IFCT; Georges Eggermann and Gerard Thorman, IFCT representatives in Geneva and New York respectively, have all made proposals, to which I will return if it appears necessary.

An international regulating organization seems to us to be the only permanent solution. We have read with considerable interest, however, the resolution adopted by the Trade Committee at Santiago. The representatives agreed to recommend that their Governments should follow a policy of gradual liberalization, to sell through world channels, to buy whenever possible in Latin American markets, to abolish State monopolies, and to organize the markets for a period sufficiently long to allow

/production stability

production stability. These are excellent proposals which will no doubt create new and more moral conditions in this raw material trade. It remains to be proved that they are not simply manifestations of goodwill. The IFCT will continue to study closely the practical measures taken by the State, and asks both the Trade Committee and the ECLA secretariat to ensure that this resolution is not left a dead letter. This division, based on continental solidarity, must not lead us to forget that it is really a world problem, which the United Nations is seeking to solve on that same scale. The IFCT and the Federation of Latin American Christian Trade Unions consider that the Governments of the member nations of ECLA should give a greater impulse to this essential object. We should not, however, duplicate any work, and since there is an United Nations organization responsible for the solution of the problem, we do not ask that ECLA should work directly on the subject. We nevertheless believe that ECLA, in its annual report (item 14 of the agenda) should express its concern to have the preparatory work commenced, and that efforts should be directed towards the signature of an agreement on co-operation with an international regulating organization.

Until that time, we have the impression that efforts towards the stabilization of Latin American economies will be ineffective, without action on the major element of instability: we shall build without stability.

THE AGRICULTURAL SITUATION AND LAND REFORM

Item 10 of the agenda calls for an examination of the

/agricultural situation.

agricultural situation. We consider that this constitutes one of the most important factors in our economic situation. The percentage annual increase in domestic consumption in the countries of the continent is much greater than the annual increase in agricultural production, resulting in the expenditure of a considerable amount of foreign exchange which should have been devoted to the capitalization of investments, on imports of agricultural products which could have been grown in the country.

Allow me to recall the study "Processes and Problems of Industrialization" presented two years ago at the nineteenth session of ECOSOC.

The authors specially stressed the fact that the development of agriculture must take place simultaneously with, or before, that of industry, since otherwise serious difficulties would ensue.

In our opinion, agricultural development needs, above all, a true and complete land reform, as mentioned in the second report on the progress of land reform recently made to ECOSOC in accordance with resolution 370 of 1951, which stated, in effect, that the agrarian structure of underdeveloped countries was chiefly characterized by notable inequalities in the land distribution. In this respect, we all remember the many United Nations resolutions on increasing the number of agricultural landowners, and giving them access to working means.

The IFCT and the LAFCT note with considerable interest that the majority of the countries of our continent are

/studying, or

studying, or have announced, land reforms which are not limited to institutional tenure reforms, but also provide for the extension of credits, organization of co-operatives, and the introduction of new agricultural techniques.

In the opinion of the Christian trade union movement, a valid land reform system is one which avoids the double dangers of excessive individualism and collectivism, both of which are contrary to human dignity. Each one must be given the essentials for the development of personality - the land, the house and the wage. That is without opposing the organization or broadening of a co-operative system, the need for which is now universally recognized.

We believe that the examination of the economic problems of our agriculture - under item 10 of our agenda - must not overlook the broadening and speeding-up of land reform, without which neither progress in production nor growth of the population of Latin America can evade grave problems. Not only our economic equilibrium but also the lives and health of our workers depend upon it.

THE LATIN AMERICAN REGIONAL MARKET

Mr. Chairman, I wish to convey the hope of the workers that the Latin American regional market will be achieved rapidly. During the meeting of the ECLA Trade Committee at Santiago, the representatives of the IFCT and the LAFCT, Mr. Roberto Vautherin and Mr. Ramon Venegas, expressed the support of the Christian trade union movement of this project, in which we see the

/greatest opportunity

greatest opportunity of our economy to raise the standard of living of employees and workers of the continent. Our movements have requested that the studies should be actively pursued and that they should be speedily put into operation. We know that these studies call for long and serious examination, but at the same time, the signature of the treaty of the European common market reminds us that true goodwill and the support of the working masses allowed them to overcome all obstacles.

The participation of the free and Christian trade unions, described in the speech by Mr. Jean Monnet was decisive. The workers of this continent also propose to participate actively in the introduction of the Latin American regional market, and the Christian trade union movement is to the fore.

The forthcoming establishment of the European common market does not rise the same fear in the workers which it does in some economists, because this organization will require some 10 to 15 years to become effective, which constitutes a sufficient period for the achievement of our regional market. Various speakers at the Santiago meeting said that we did not have markets 2,000 years old, nor did we have competition as strong as that of Western Europe. We believe it possible that in some five years' time, when the European common market begins to have repercussions on our economy, our own organization will be equally capable of showing results.

The state of our industrial development, and its youth, are much more advantageous for a regional market than are the

/super-developed

super-developed economies of the Old World for their common market. Our products could be proportionately lower priced, for instance, than those of Europe. Our relative position and our trade would therefore improve in relation to that of Europe.

We believe, as do the workers of Europe, and without forgetting the dangers involved, that the raising of our standards of living will be more rapid, and to higher levels, with the regional market. The association of workers' organizations with the international agencies will permit all possible dangers and difficulties to be overcome. Since we also believe that the regional market will further the cause of peace and international understanding, the Christian trade unionists are extremely interested in the project in Latin America.

We ask ECLA to give its maximum support to the Trade Committee and to initiate the active phase, keeping us informed, and working in association with us; we shall give every assistance and support.

Mr. Chairman, I have expressed the chief preoccupations of the Christian trade union movement of this continent. I thank you all for your attention, and I ask you to remember our sincere desire to collaborate with ECLA for the welfare of all Latin American workers.

I cannot conclude without expressing my acknowledgements and gratitude to the people and Government of Bolivia for the hospitality which all who have come to know this beautiful land have enjoyed.

Information document No. 22

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. JEAN WIAZEMSKY, REPRESENTATIVE OF THE INTER-GOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION, AT THE FOURTH PLENARY MEETING, 17 MAY 1957

I thank the Chairman for his courtesy in permitting me to address this distinguished gathering, and I will do my best to be brief, so as to take up as little as possible of your time.

First of all, I would ask the Spanish-speaking delegates to excuse my limited knowledge of that language, but in spite of this I will continue to speak in Spanish, in homage to the country which has received us so cordially, and to that to which I have the honour to be accredited.

Gentlemen, the Inter-Governmental Committee for European Migration, which I have the honour to represent here, is one of the youngest and often the least-known of the international organizations. It is barely five years old, but it is proud to count itself among the most active and dynamic of the specialized organizations. There are 27 member countries, of which 11 are represented among the representatives here, and 3 others, the Federal German Republic, Italy and Spain have observers here. Of the 10 South American republics, 7 are members of my organization, while 3 others are always represented by distinguished observers at our meetings.

The main task of the Inter-Governmental Committee for European Migration, better known under the initials ICEM, is to develop, facilitate and increase emigration from the over-

/populated countries

populated countries of Europe - Spain, Italy, Germany, Netherlands, Austria and Greece.

This international assistance to European emigration has several aspects: on one side, assistance to the emigrants themselves, and on the other assistance to the Governments, both those of the emigrants' origin, and those of their destination.

The South American continent is a traditional goal for European emigrants. This emigration has grown substantially after a period of interruption during the war, and the kind invitation from the ECLA secretariat to my organization to participate in this meeting confirms the fact that European emigration is an element in the life of the Latin American countries, and in their economic and social development, in spite of the very scanty reference made to emigration in the documents of this conference. The economic factor in migratory movements is indubitable.

Today's emigrants are usually workers, either agricultural or industrial, and come to work with their hands, bringing with them their techniques and their knowledge. Joining in the daily professional life with their fellow-workers, natives of this continent, they bring not only their hands to the aid of the economy of these countries, but also the stimulating benefit of their experience.

But in the fascination of the new world and new horizons, in addition to the human contribution, they often bring with them capital and machinery; one example among many is that of the Dutch colonists in Brazil.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. PAULUS VON STOLZMANN, OBSERVER ON BEHALF OF THE FEDERAL REPUBLIC OF GERMANY, AT THE FOURTH PLENARY MEETING, 17 MAY 1957.

In the name of the Fed al Republic of Germany, I have the honour to thank the Economic Commission for Latin America for the invitation recently extended to the Minister for Foreign Affairs, Mr. v n Bretano, requesting that the Federal Republic of Germany be represented at this seventh session by an official delegation of observers. This is the first time my Government has been officially represented at one of ECLA's sessions, although for many years we have been collaborating unofficially with the ECLA secretariat in Santiago. I am very pleased to tell you, Mr. Chairman and delegates, that my Government is greatly interested in ECLA's work - an interest based on the traditional economic relations between my country and those of Latin America. At the same time I would like to convey the sincere wish of my Government to collaborate to the greatest possible extent in the work of this distinguished institution, not only with the object of maintaining these relations, but also of increasing them in the future. As you know, the Federal Republic of Germany forms part of the European common market. As the representative of France stated this morning, it is obvious that the object of this community - contrary to the apparent opinions of some of

/our Latin

our Latin American friends - is not to isolate the member countries from other European or overseas countries, but to make a valuable contribution to increased world trade. If you believe that our co-operation would be useful in clarifying the idea of the European common market, we shall be only too pleased to assist.

Finally, Mr. Chairman, may I express my sincere wishes for the success of this session in its efforts to promote the welfare of the peoples of this continent.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. MIGUEL GISBERT NOGUÉ, REPRESENTATIVE OF BOLIVIA AT THE FIFTH PLENARY MEETING, ON 18 MAY 1957

Bolivia has the greatest of pleasure in welcoming the discussions of this assembly. We speak the straightforward language by which friendship is preserved. It is our task to analyse the problems of Latin America, and we devote ourselves to it with impartiality and zeal. This is one more victory for regional solidarity. For we do not conceive of the rapprochement of the peoples as a mystical aspiration that is out of touch with life. On the contrary, it is our belief that America will successfully shape its destiny when, in setting forth its aspirations, it reaches upward towards the highest achievements from a groundwork of honest realism. To tell the truth is to be at peace with one's conscience. And this has always been the fundamental requisite of progress. Bolivia sees in the present Assembly the materialization of one of the unvarying principles on which its conduct is based. An America, made up of friends that are linked by the uprightness of their intentions and the nobility of their ideals, has been our most legitimate ambition ever since we became part of the great family of independent peoples.

Bolivia exemplifies the problems of the under-developed

/peoples, with

peoples, with the addition of certain special features highly characteristic of the dramatic circumstances in which it has become a nation. We dwell in a land of geographical contrasts, where the loftiest peaks look down upon the deepest gorges. Like a gigantic backbone, a range of mountains traverses the country from north to south, and there ice and wind perpetually challange man's temerity. The valleys enclosed between the high mountain ranges are narrow belts of verdure which in our environment look like isolated oases in the midst of a hostile natural scene. Altiplano and valley represent barely one-third of the Bolivian territory. Beyond the horizon, out of sight, and also out of the reach of ambition, the plains and the jungle issue another challenge, this time to human ingenuity and tenacity. Bolivia, in the centuries that have gone to its making, has never had that help from a mild climate and a gentle land which accounts for the growth of civilization in other latitudes. Perhaps because history to some extent reflects geography, in the sense that a grim environment tempers and sometimes embitters human character, the stages in our national development have been marked by tragedy. The inhabitants of Bolivia have had to overcome tremendous obstacles in every phase of their lives. We have been a people of pioneers ever since the far-off dawn in which the first indigenous tribes looked out upon the vast panorama of the altiplano . While other countries conquered nature and then devoted themselves to building up a lasting home in which their aspirations might

/be fulfilled,

be fulfilled, we were still battling against our environment. Each generation of Bolivians must wage its own campaign to conquer a geography that redoubles its resistence in face of the effort to extend the frontiers of civilization.

The prejudicial influence of these geographical contrasts on economic development has been aggravated by the country's landlocked situation. Bolivia is remote from the great sea routes that constitute links in the chain of progress. Far from the sea, shut up in the fortress of its mountain ranges, the people of twentieth-century Bolivia are cut off from the flow of human and capital resources that has been carrying the triumphs of technique all over the world. In an endless caravan, machinery and immigrants have moved from Europe towards the under-developed continents. In Latin America as elsewhere, capitalistic methods of production have appeared, and the old colonial heritage, fast-rooted in habit and custom, has been gradually swept away by the mulittudes flocking in to colonize virgin territories. All the Latin American countries have to some extent outgrown their feudal modes of life. Once they were incorporated into world trade, thanks to the infiltration of foreign investment, tradition could no longer hold them back entirely. In contrast, Bolivia has had no part in this development, because even its territory fails to reach the sea, the great highway of the human race. There is one feature of our national evolution that fully reflects the consequences of our land-locked situation. In the case of other Latin American

countries, technique was imported when foreign interests incited by the exigencies of world trade, set out to exploit their raw materials or their natural resources; and European or United States companies were the powerful protagonists of their development. Bolivia, on the other hand, had to create an indigenous form of capitalism upon which our lingering feudalism inevitably set its seal.

Primitive methods and ideas that had been old-fashioned for centuries in Europe, attended the large-scale investment of Bolivian capital in the expolitation of the country's subterranean wealth. Capitalism in Bolivia is not the result of infiltration from abroad, nor is it a new stage succeeding others left behind; it sprang up belatedly in a country where the conditions of production were exactly the same as in the colonial epoch.

From the earliest times, Bolivia's population has reproduced, like a mask which copies the features of a human countenance, the characteristics of its topography. The tribes of the Inca Empire established themselves on the Altiplano and went down into the valleys. There they practised a form of subsistence farming which knew nothing of trade and barely sufficed to provide the contributions levied for the Inca's granaries. Beyond the mountains, lay the virgin territories into which a society that had no technical means of battling against the broad river, the heat and the ravages of the jungle, did not dare to penetrate. In colonial times this concentration

/of the

of the human element on the Altiplano was repeated. In their eagerness to increase their mercantile supremacy by accumulating precious metals, the Spaniards devoted themselves to the exploitation of Potosí, and legions of indigenous inhabitants, who for centuries had been attached to the soil, were driven into the mines. The farming methods still in use were those the Incas had known, and little different from the practices employed in Babylon or in Egypt by those first tribes that represented the dawn of history. Little did it matter that the soil gave meager yields, if from the mines flowed forth the river of silver that enriched the households of bankers and entrepreneurs in seventeenth century Europe when world capitalism was first emerging. From the economic standpoint, their absenteeism turned Potosí into our first great national tragedy. This glimpse of colonial Bolivia, crowding round some few mines above the 3,500 metre line, is still representative of the essential feature of our economy. While at the present time two-thirds of the Bolivian population are congregated on the Altiplano and in the valleys, in the Eastern plains man is the rarest of creatures. The contrast between resources and population is equally sharp. In the mountainous region two-and-a-half million people are depleting a soil that has had to sustain various civilizations; in the East, a fabulously rich land awaits the hand that will till it.

The frustration of economic development was implicit in the course of Bolivia's history. Here the Spanish Conquistador

/found no

found no warlike nomadic tribes who perished in a fruitless endeavor to stay his onward march with their arrows. In Bolivia a dense population existed, which had already organized its social life, but which was subjected to the most absolute despotism. Owing to the excessive centralization of society, the capital of the Inca Empire was the beginning and end of all things. Once the Incas had been conquered by the Spaniards, the astonishment of seeing that ancient pyriamid crumble paralysed the villages over which the Inca sway had extended. The conquerors came into possession of the most enviable human booty. Their eagerness to exploit the precious metals meant slavery for millions of the indigenous inhabitants. And High Peru resembled in its social organization, those strata of the earth's surpface which are characterized by the sharp distinction between the geological periods. There was a small minority of white men, lords of all the wealth; a certain number of people of mixed race, the hangers-on who gathered the crumbs from the mine-owner's table; and a whole huge nation of Indians cast into the depths of suffering or cut off from the country's life. The inseparable merger of peoples which in other countries endowed mixed blood with possibilities of political development never took place in Bolivia. Three hostile groups, suspiciously watchful of one another or struggling to gain possession of the booty, accounted for Bolivia's via crucis during the centuries of the colonial period. The infinite ambition of some was hardly to be compared with the longing for vengeance

/of others

of others.

From this historical background, from this sociological matrix, emerged the salient features of Bolivia's economy, still visible in the situation at the present time. Our level of per capita income is one of the lowest in Latin America. Meanwhile some countries in the region have advanced from the rear, and register income levels close to those prevailing in more fortunate parts of the world. The last twenty-five years have witnessed vigorous development throughout the hemisphere. The Latin America which was a legacy of the past is beginning to disappear, and its income is improving. But Bolivia's annual income is actually lower than that of the inhabitants of some of the African colonies. The fact is that the production methods of feudal epochs, which we have not yet managed to root out, are inefficient in comparison with the capitalistic patterns introduced by the Europeans in Africa. In some sectors, therefore, we are still on the lowest rungs of the ladder of human progress.

A large proportion of our population is engaged in primary activities. It might be said that this is a feature common to almost all the under-developed countries. But such a statement savours of evasiveness or platitude. For the other Latin American countries, or many of them, are rapidly emerging from this condition. In some countries of the region about 20 per cent of national income is already accounted for by industry and services, which constitutes and unmistakeable index of progress.

/In Bolivia

In Bolivia such activities do not make up as much as 12 per cent of the gross product. The predominant features of our economic scene are a decapitalized mining and an agriculture which has not managed to rise above the merest subsistence levels. In these sectors are congregated three quarters of the hands employed in production. To map out a complete picture of the economic consequences of these facts, it would be enough to set up a comparison with agriculture and mining in other countries which are also under-developed. There are parts of Latin America where agriculture is yielding entrepreneurs and wage-earners an income of over 200 dollars a year. And as regards mining, it would be possible to point out areas of the Latin American territory where productivity reaches extremely high levels. In agriculture Bolivia records an income akin to that of the over-populated countries of Asia, and in mining, per capita yields which are quite far removed from those prevailing in centres that have not yet reached the limit of their possibilities.

The economic weakness deriving from this low productivity which curbs and frustrates the possibilities of economic development and consequently of a rise in the standar of living, is cast into relief when it is remembered that Bolivia has to import basic consumer goods. In Latin America we and Venezuela are the countries with the highest import index. And it is not that we have a substantial income which calls for the refinements of luxury. It is simply that our primary activities

/are so

are so inefficiently conducted that they do not even provide enough food for our own population. To supply its wants we must inevitably resort to foreign production. In sociological terms, we might say that in Bolivia the disequilibrium between urban life, characterized by consumer demand, and the countryside or the mines on which the whole structure of the community rests, is much more serious than in any other of the under-developed countries of America. So long as these penurious conditions of production prevail, the country's economic development will be permanently affected.

Bolivia's contacts with world markets are dependent upon one or several minerals whose prices are subject to pronounced fluctuations. Our country has not undergone the process of emancipation whereby the under-developed countries have been led to diversify their exports in order to establish world market contacts less vulnerable to sudden contingencies. Our foreign trade has been brought to a standstill precisely because there has been no attempt to add to the traditional commodities we were already producing at the beginning of the century, others that might have the virtue of cushioning the blows dealt by a fall in prices or a contraction of demand in the great purchasing centres. The opening-up of lines of exportable production which will help to mitigate our extreme dependence is a crusade against geographical conditions. If we simply persist in drilling the rocks of the Altiplano or ploughing land exhausted by long use, our foreign trade will

/never blossom

never blossom out in new fields. We must shift towards the distant regions of the springs and the plains if we are to break this iron chain that links our destiny to the vicissitudes of tin, wolfram or lead. The glory of the greatest national feat of the future will belong to those who find a way to overcome the natural difficulties of the territory and establish within its bounds such productive effort as will discover resources and utilize them for the benefit of the country.

Upon this groundwork of frustrations and shortcomings national history has been built up since 1900. To the basic features already mentioned, which have been part of our life since Bolivia became a nation, have been added others, less obvious, but not therefore devoid of disastrous significance. The Bolivian State, faced with a budget deficit because the contribution of mining to the national treasury was insufficient, embarked on a policy of loans which drained the country's energies and left by way of balance a heavy burden that weighed down still further the enfeebled domestic economy. Far from increasing taxation, as the Comisión Fiscal Permanente requested, the State preferred to plunge into debt, until the changing course of world events announced the advent of the great depression of 1929. For a long time, while prosperity on the world markets swelled the profits from mining, Bolivia enjoyed the peculiar privilege of maintaining the lowest taxes in the world. Later, when foreign credit was swept away in the

/economic crisis

economic crisis of 1929, and in view of the incapacity of the State to obtain the resources it needed by taxation on mining, the inflationary process began in 1932. The Banco Central began to turn out notes for loans that were never returned, and the deficit became a chronic disease undermining Bolivia's fiscal system. The institution of the Central Bank, set up in other countries to control the economy through various instrument., became in Bolivia a sort of provident poor-box of which the principal function was to finance the budget deficit. This incongruity between Treasury expenditure and revenue has lasted so long in Bolivia that it has become a traditional feature of our economic life in recent years.

But Bolivia's development also reveals the negative influence of other equally powerful forces. Bolivia has always lived under the shadow of the most absolute capital absenteeism. The silver mines from which fortunes were made had already represented a huge breach which left the way open for the flight of large quantities of profits abroad; and in the tin age history has repeated itself. With the discovery of rich deposits during the early years of this century, fortunes were made in Bolivia and invested abroad. The World War of 1914 brought in its train a tide of technical innovations, and part of the profits returned to Bolivian soil. But the advent of prosperity which followed the war made no difference to absenteeism. Investment in equipment, in prospecting and in the diversification of labour quickly languished, and all

/the profits

the profits of Bolivia's mining effort were transferred to the centres of international finance where our newly-made "barons" were already personae gratae. The thirty years from 1920 to 1950 went by without the Bolivian economy's witnessing a single productive investment of sufficient magnitude to strengthen the national economy. Meanwhile, the miner's pickaxe went on producing wealth that did not return to the country. In the field of industry, a few plants were installed, in an effort to combat the mistaken concept of an economic policy based exclusively on the export of mineral products as a means of purchasing manufactured goods abroad. And for decades the State pursued a policy of urban improvement, while in the rural areas and in the mines, the want of opportunity tied the population down to its traditional ways of life.

The economic crisis of 1929 had special repercussions in Bolivia. In subsequent years the country's output never attained the levels recorded in those times of prosperity which began with the First World War and ended with the slump on the New York Exchange. In the under-developed countries the crisis implied an intensive effort to replace imports by domestic production and to expand and diversify their exports. By 1939, some of the Latin American countries which had suffered severely through the event in question, had larger exportable balances than in 1929, and their industry, invigorated by exceptionally heavy investment, supplied products which had traditionally been brought in from abroad. Bolivia, on the

/contrary, sent

contrary, sent less tin to the world markets and its industry barely ventured upon a cautious replacement of basic imports. Stagnation set in, and no upward trend in gross income was registered. The Second World War led to a relative increment through the rise in prices and a slight increase in the volumes exported. But the low rate of taxation on mining, and the very modest quotas of foreign exchange surrendered to the State, nullified what might have been the positive effects of this combination of circumstances, had the conditions prevailing in the country been more satisfactory.

The Chaco War was a lamentable episode. We wasted a generation in the trenches, we squandered our resources on armed warfare, we exhausted our reserves and spent ourselves in heroic effort that met with no reward. This war plainly showed that a State lacking in modern methods, ill-qualified to mobilize the economy, and a country undermined by profound sociological cleavages, which bore the burden of a population proscribed within its own territory, could not face the ordeal that every armed conflict involves. And over the disappointed hopes, was lifted up in discontent the voice of a whole generation that saw in the war, mirrored in its battles, the whole tragedy of their country. It was, indeed, precisely as a result of the Chaco War that for the first time in the history of Bolivia an attempt was made to break away from the country's traditional structure. The combatants returned to their towns inspired with an ideal of national redemption, and

/the country

the country
entered upon that phase of social revolt which strove to overcome the existing obstacles. But among us there was no economic growth to serve as a buffer against social conflict. Daily more impoverished, with no prospects for the mass of the population, and heated in the furnace of class hatred, Bolivia was bound to burst out in violence. The conflict for which the whole of its past was responsible afforded no possibilities of compromise. And if blame is to be laid at any door when we Bolivians analyse our country's vicissitudes we must turn our gaze towards those who could not understand that the maintenance of an economic structure based on voracious privilege was an inexorable call to rebellion.

It was in face of the situation of which the salient aspects have been outlined here, that the revolution of April 1952 broke out. Essentially, as its leaders have explained, it is an attempt to adapt Bolivia to the conditions of the modern world, and to pave the way for the economic development of which the country shows little sign, despite the fact that in all the other under-developed areas this process has been initiated, either by peaceful of by violent means, since the opening years of the century. Three instruments were put into effect to attain the proposed objectives in the field of development. The nationalization of the mines, the land reform and the diversification of the economy are the pillars that support the new experiment. This cycle of reforms may usefully be analysed from the strictly technical angle.

/At the

At the time of its nationalization mining was passing through a special phase. For many years the re-investment necessary for the maintenance of the work at the optimum technical level had not been effected. As the grade of the ore declined over the last decade or two, no new working faces were opened up so that fresh deposits might compensate for the depletion of those which had already been exploited for a long time. Vis-a-vis its over-seas competitors, Bolivian mining is at a disadvantage. Moreover, in the neighbourhood of the mining centers, when nationalization was decided upon, millions of workers were stood off, in one of the sternest episodes of our social history. This was the prevailing aspect of large-scale mining in Bolivia, when the authorities, aiming at the country's development, issued the nationalization decrees.

In view of existing conditions, nationalization called for a programme that would cover such prospecting as was essential in order to offset the gradual deterioration of the depleted veins with more promising fields for work; that would progressively renew old-fashioned and worn-out machinery and facilities and that would give the administration of the newly-created enterprise -- the Corporacion Minera de Bolivia -- a properly co-ordinated and efficient structure. A few months after nationalization took place, circumstances arose which hampered this task and placed Bolivian mining in a situation of conflict. The first of these was the fall in prices resulting from the cessation of hostilities in Korea.

/Although the

Although the country's income from abroad remained almost unchanged, the deterioration of its terms of trade deprived it of the possibility of increasing capital formation in the mining sector, which was, to put it plainly, the cornerstone of any ambitious programme. A rise in internal costs became inevitable when, for social reasons which no observer will fail to understand, the government authorized the reincorporation of disemployed workers. A financial system which sought to accelerate diversification by means of an overvalued exchange rate, and a natural social restlessness which assumed administrative responsibilities, completed the picture of the difficulties besetting mining, an industry which contributed resources to the financing of economic development, but at the cost of the destruction of its own prosperity.

The vast discrepancy between the level of internal costs, which rose with the advance of inflation, and the income that world prices rendered possible, meant that Bolivia's mining enterprises had in the main to sacrifice the soundness of their own economy for the sake of the development programmes. As its incessantly accelerated rate of growth rendered inflation more acute, it became impossible to plan the progress of mining and improve its economic conditions, unless a reform of the country's whole structure were first contemplated. A programme for the expansion of mining proved inoperative, so long as a system of exchange rates was still in force which transferred income to other sectors, and the country

/was still

was still affected by the consequences of unrestricted inflation. Perhaps in this whole process if it is scrutinized in the light of modern techniques for the interpretation of collective phenomena, experiences may be discerned whose projections are not confined to Bolivia but extend to the regional sphere.

Land reform was essential. There was obvious conflict between the growth of the cities and mines, where the people were struggling to improve their standard of living, and a backward peasant who was something of a social museum piece, in whom persisted all the methods of production, the melancholy vestiges of the indigenous community, the legacy of the Incas carried down over the centuries; the great feudal property administered under methods which eighteenth century Europe shattered under the hammer of bloody reforms, and some modern enterprises, which were an oasis in the midst of stagnation. The conflict between modern Bolivia, or at least Bolivia with pretensions to modernity, in the cities, and that other Bolivia which represented the past, had to be settled rapidly. The land reform resembled a surgical operation; this drastic method is also necessary in society when ills are allowed to advance without the remedy of timely solutions. Thinking perhaps of this dynamic sociological process, the United Nations and the specialized agencies have suggested to the Governments of the world the introduction of land reforms which make possible the growth of productive forces. One of the essential conditions of any system consists in establishing

/a balance

a balance between production and consumption. That is the origin and basis of the Bolivian land reform, which is not a phenomenon peculiar to our country; reform is everywhere one of the keynotes of our times. So deep-felt is the movement that the Catholic Church, at a congress of bishops held in Colombia five years ago, proposed that the land should be owned by those who tilled it.

Our land reform has made it possible to include in the national economy two million people who formerly lived beyond the margin of trade and consumption, but our aim demands certain requisites which go beyond land distribution. The Bolivian peasant maintained himself almost on a subsistence level for many centuries. His needs were practically the same as those related by the Biblical prophets. The poorest of clothing, a rudimentary shelter, and such food as the earth's generosity would supply for his frugal table constituted his entire existence. To increase his demand it was and still is necessary, even though he now owns the farm, to increase his output. Tremendous difficulties are involved. The working tools for increasing productivity are lacking. Primitive methods still prevail in Bolivian agriculture which is subject to natural contingencies. Our peasants remain, applying antiquated ideas of land cultivation, combined with their empyrical methods. Magic still forms a part of our rural culture, and above all, as a further obstacle to raising production, there is a lack of public and private capital which, were it effectively employed in productive tasks,

/could help

could help to overcome our poverty. Land reform has destroyed an old order, but the new order deriving from the Act of 2 August 1953 is not yet completely effective. ECLA, in its report on Bolivia, stresses the outstanding importance of this fact. Productive forces cannot in fact achieve any degree of utility except as part of a régime, whatever it may be. After abolishing the feudal structure of our country, there was an urgent need for a system which would establish the rights of each peasant and each farmer whose lands had been reduced, fix the boundary lines of the properties and clarify the social relations among agricultural workers. Four years have passed since the land reform, and the new order is tardy in developing. The investments, organization and tenacity needed to raise the agricultural yield will be impossible while indecision and suspicion persist.

There is a new contradiction between town and country, between agriculture and urban activities. We must promote economic development for otherwise the social conquests and the political advancement achieved by the great majority of the country will be in vain. But no country can grow, economically speaking, without a sound, thriving agricultural basis. In Bolivia, the increase of mining or industrial output without an agriculture capable of supplying these activities would be fruitless. If our agriculture cannot produce the requirements of the mining population, the foreign exchange income which we obtain from the mines will be spent on purchasing these articles. Precisely because our fields could not meet food

consumption needs, the product of Bolivian mining industry had to divert a great part of its income to these requirements. The same may be said of industry. We have but little foreign exchange, and for industry, this problem becomes an appreciable obstacle when, to feed the urban population, we must disburse foreign exchange which would have been better employed in the purchase of capital goods.

The State has enormous responsibilities in the direction of land programmes. A backward agriculture can only develop under the auspices of the State. The problem has so many aspects that only the public agencies can approach it with any prospect of success. There is the cultural aspect of the education of the peasant to enable him to understand, assimilate and handle new productive techniques. He must be taught the advantages of using more modern ploughs, rather than the ingenious applications of ancestral art in the cultivation of the land. It is also essential to improve the tools by introducing tractors in the more advanced agricultural districts where true co-operation adequately merges the productive forces. If the State does not acquire a production-consciousness, if the directors do not plan agricultural development as their final objective, with the fervour of those aspiring to create a new world, our economy will not prosper. The economic diversification of Bolivia has the following principal aims: to substitute agricultural imports, to incorporate new areas in our useful topography, to expand production in our extractive

/industries (minerals

industries (minerals and oil), to expand our industrial production by the addition of new items, and to supply the country with the energy necessary to meet these aims. The basic tool in this process, which was devised by State organizations, was essentially the over-valued exchange rate. With a cheap dollar, development programmes could be financed with little effort. The wave of inflation which this would cause would be eliminated when the new investments bore fruit. But certain difficulties arose, some natural, some not. The projects undertaken required very great prior investments- roads, forest clearing, exploration, etc - which retarded the initial productive phases. In the meantime domestic costs, increased by the inflation, raised the cost of the projects. It was necessary to appeal to the Central Bank for inflationary financing, and this gave further impetus to the inflationary spiral. For reasons of political integration, the first attempts at diversification had to be in areas too far from the population centres and the basic resources of the country. The unit cost of the investments increased in proportion to these circumstances, making the future return relatively low in proportion to the resources allocated. The financial system based on a cheap dollar undermined the whole structure of diversification. Thousands of people abandoned productive tasks in agriculture to devote themselves to trade in imported articles. The price differences between the market controlled by the authorities and the speculative market gave such certain and easy profits that these people abandoned the plough to

/swell the

swell the ranks of the smugglers. Consumption was thus artificially inflated. Each pressure of the inflationary process, which further widened the gap between official prices and those of the free market, led to new imports of provisions and opened new prospects to the smugglers. Agricultural output declined, mining, hard hit by the system, barely survived under its load, and livestock formed a considerable part of the illegal traffic. The diversification which had been undertaken received valuable and effective help from United States aid, mainly in the form of capital goods and technical assistance, while assistance in the form of foodstuffs was rendered inoperative very largely by the cheap dollar; this redounded in the development plans. Nor were European loans able to offset the disequilibrium; they are now a negative factor in the balance of payments. Nevertheless, attainments in the development of the oil industry should be mentioned. Having achieved national self-sufficiency, the oil industry opens a promising prospect for Bolivia's future since it permits the effective investment of large capital through the code which has been promulgated. It is also undeniable that the economic diversification has led to better geographical integration, through new roads and new areas incorporated in the economy.

We are now entering a further stage of our national development. Our per capita income has decreased. Gross production has declined. During the inflation, net investments were the lowest in Latin America. Savings disappeared

/because of

because of the people's fear of losing their resources. The real income of the workers fell because of the inflation. Our diversification programme had to bear the rigours of this pause. When a country is living beyond its income, it is necessary to postpone public investment in order to adapt the life of the country to its true possibilities. Decapitalization is especially severe in mining and industry. But we shall continue to be a tenacious people which desires to grow and excel itself. The desire for progress imbues us all, and this will lead us to the final goals.

Monetary stabilization signified a radical reaction against the evils and dangers which accompanied the accelerated current of inflation. It was certainly a heroic effort aimed at halting the deteriorating situation, and seeking a course for balanced development of the economy and human conduct.

The first stabilizing measures are designed to eliminate the budget deficit, a chronic affliction of our economy; to ensure the free convertibility of the boliviano; to re-establish free trade and equilibrium in the balance of payments; the price to be paid for this is temporary delay in the diversification plan and the freezing of wages and salaries.

As Dr. Prebisch so well expressed it in his brilliant speech, inflation is basically prejudicial to the citizen of fixed income monetary stability gives security to the salary which, if its increase is dependent upon increased output, is one of the pillars of economic development.

/ It is

It is premature to attempt to present an over- all balance of the effect of stabilization, but some results may already be mentioned. The large-scale smuggling which drained our available capital has disappeared. Social morality has achieved one of its most resounding victories. Work is the only entitlement to riches. Agricultural activities are once again lucrative, and the farm worker is returning to the land. A single price level places each article at its true value. The exchange rate is in line with the international position of the country. But it would not be honest to mention these good points without telling the whole truth regarding the difficulties which we are encountering. There are lessons in Bolivian stabilization which are closely related to the drama of economic development in other Latin American countries.

Bolivia at one time had no other means of accelerating economic development than inflation. It did not matter that monetary circulation increased or that the level of prices was rising daily, because the promise of unbelievable production was held out for the future. But paradoxes, or the logical rigour of economic processes, destroyed hopes. Inflation stole with an irresistable hand the prizes to which we aspired. There was a fall in net investment. The advantages achieved by diversification were lost because the financial system discourages initiative.

Once the artificial purchasing market disappeared, the purchasing power of the people declined; industry underwent

/a contraction

a contraction which necessitated complete reorganization and reassignment of labour to other types of production; mining was decapitalized, and since its production costs had increased, it needed effective incentives; the high-cost general transport must be improved and given the necessary incentive to reduce its costs, so that internal and external trade may be fostered.

The level of prices, unlike in other countries which have attempted stabilization, is showing a downward trend, but the process is too slow. In more technical terms, we would say that prices have not been able to stimulate effective demand. There are great difficulties in the way of reducing prices adequately in Bolivia, and giving the market this stimulus. In the first place, the exchange rate has a decisive effect in a country which imports 25 per cent of available goods and services and the rate in Bolivia cannot be reduced satisfactorily since the mining industry must capitalize itself, and needs more effective production possibilities. Nor can industry lower its costs, since its structure is most inelastic. The reduction of foodstuffs prices must be achieved through certain international machinery which is in the hands of countries with which we have subscribed to development programmes, and through the hope of an increase in harvests. At the present stage, because the need to restore the purchasing power of salaries is urgent, a policy leading to a lowering of prices in an immediate requirement.

With inflation halted, stabilization has left a gap which must be filled. Investment is the only guarantee for

/the immmediate

the immediate future. This would rapidly strengthen the purchasing power of the great mass of the Bolivian people, and at the same time encourage that trend towards cost rationalization which constitutes the most urgent of our needs. A policy of high investments in development works would increase employment, eliminate bottlenecks and place the stabilization programme on a sound and lasting basis. As in all development programmes, investments, whether public or private, must play a leading role in Bolivia. Under the present conditions of our economy, public investment is impossible without compromising the budgetary equilibrium which is essential to monetary stabilization, and therefore it can only come from international development organizations and from those set up by the United States Government for the administration of foreign aid.

Bolivia presents a most promising outlook for private investment, and the State is progressively introducing measures to provide the necessary incentives.

This is an opportune moment to mention the United States aid which is enabling us to meet our more urgent problems. The inter-American co-operation services are giving positive help to the economic and cultural development of the country.

The United Nations is giving technical assistance to Bolivia which is contributing to the solution of our present problems and is facilitating the training of teams of experts, which guarantee the future growth of our economy.

The ordinary assistance which is at present being given

/could be

could be reduced if the international markets were to increase their purchases of minerals from us, maintaining a price level compatible with the income which we must obtain if our economic machinery is to function satisfactorily. The science of economics, and especially the studies made by ECLA, which have contributed so much to the betterment of the Latin American region, have shown the healthy effects produced by intensive trade between the industrial areas of the world and those which, like Bolivia and other Latin American countries, form the so-called peripheral nucleus. When a developed nation increases its foreign purchases and pays satisfactory prices, its money is immetiately returned to it in payment for purchases of utensils and articles required by progress.

Bolivia's basic problem, as a country closely dependent on foreign trade, lies in regular and progressive trade with the industrial countries. The violent price variations and the chronic instability of the demand for our exports is more damaging to us than our domestic contingencies. It is quite true, as ECLA affirmed in its study on Bolivia, that investments must cease during the first stages of the stabilizing experiment. But this cautious measure must not be extended beyond the period which wisdom dictates in the handling of public transactions.

The international credit institutions have in Bolivia a country which presents excellent development prospects. In many aspects it is still a virgin land where the abundance of benefits is greater than in parts more exploited by the man.

/A short-term

A short-term development policy, financed by these institutions, would include the introduction of services indispensible to economic progress. Electrification of the country is an essential requirement for industrial progress. If there were sufficient electricity we should be capable of processing many of our raw materials, and intensifying the manufacture of goods with which to replace costly imports. Investments in methods for greater recovery in ore-processing and the improvement of our transport system are initial steps along the sure road towards our economic development.

The migration of labour towards areas close to consumer markets cannot be delayed. Productivity in certain branches of our economy is low, not so much because of the backwardness of the country as of the excessive man-power load which it is carrying. To apply simplicist concepts to the problem would be to aggravate the evils from which Bolivia is already suffering. To reduce the congestion in industry and mining- the sectors where there is a surplus of manpower - would require new demands for labour in areas where multiple domestic or export consumer products are in a favourable position, and which have communications with the purchasing centres. This task, presented in this manner, requires relatively modest capital, and promises high yields. It would meet one of the basic requirements of our development, which must tend to incorporate riches which give speedy returns and require only small capital.

No community struggles in vain. Sacrifice always precedes

/success. In

success. In our national history there are, it is true, certain errors, but the character of the Bolivian people has hardened. We can stand up to adversity with almost as unflinchingly as a rock against the elements. And since this people could support all the difficulties of the past, it knows now how to forge its greatness with serene responsibility. Many signs prove to us that Bolivia will not continue to struggle in vain.

The country has ceased to be a chessboard, where each region lived its own life, isolated from and indifferent to national affairs. The natural resources will no longer have to await the passing of generations, lost to the country, and a sacrifice for man. In our tropical regions the noise of machinery, the forerunner of progress, can already be heard. We are applying our full efforts to the introduction of economic and social development even in the drowsy villages, where the advance guard is already entering with its means of transport and tools to make a way for production through the underbrush. A remote country, almost lost on the map, which does not arouse any interest even among its own inhabitants, is in these days an irresistable challenge to cross it, populate it and strengthen it. Perhaps we Bolivians ourselves, since we are the actors in the drama, do not quite appreciate the enormous changes which have taken place in the national mentality. We now have an audacity, a desire to do and be, which did not exist even in the most passionate moments of the past. And if the country must be forged by

/its men,

its men, Bolivia of today has already instilled in the spirit of the mass of its people the desire to measure itself against reality, and to transform the country in this silent duel. The aim of all this effort and sacrifice is the Bolivian man, and he enjoys to the full the welfare which his creative goodwill may give him, and at all times, regardless of the economic factors, he enjoys liberty.

Nor is Bolivia isolated from the American world. Bolivia and America, united by the interdependence which characterizes the twentieth century, have come closer in their common desires. Our aims are not strange to the neighbouring peoples in this hemisphere of perpetual youth, and we are sure, because the voice of conviction neither misleads nor deceives, that America will know how to give us its collaboration. At the crossroads between the legacy of the past which is still with us and the diversification programme, we shall have available to us the experience and the resources of other countries of the continent, whose leaders understand the value of concentrated effort.

A further indication of the interest in Bolivia may be found at this session in the study which ECLA has presented on the progress of our economic development. We know that the delegates who now honour us with their presence, and the specialists of ECLA who have worked to shape to this session according to the pattern which the historic moment demands, see in the case of Bolivia a source of experience, and have come to our country to enrich their knowledge and

/perception in

perception in a novel and promising environment.

The ECLA study which deserves our gratitude is a sincere attempt to assist us in solving our problems. In it can be found the bases for planning our development, which, after eliminating trial and error methods and exerting all our efforts on the basis of strict technical concepts, must assist us in our march towards the future. Those with whom we have co-operated in the economic field are pleased to find that our point of view coincides with that of ECLA. When planning receives the approval of an organization so highly qualified as ECLA, its machinery may develop rapidly, and lead to unexpected success. In Bolivia, where we need to programme the growth of the economy to avoid a repetition of old errors, the study constitutes an exceptionally valuable contribution, and I wish to express once more our appreciation. We hope that the international organizations which have been so generous will continue in the future to help us to solve the problems with which progress, when it begins, confronts all countries which finally abandon their inertia. Allow me, gentlemen, to express Bolivia's gratitude for the most complimentary comments made by Dr. Raul Prebisch and Mr. Jorge del Canto regarding the Bolivian Government's stabilization policy.

The fact of Bolivia is changing. When, in years to come, new international conferences unite the peoples of America, we shall have good news and success to relate.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. ALEJANDRO HALES, REPRESENTATIVE CHILE, AT THE FIFTH PLENARY MEETING, 18 MAY 1957

This seventh session of ECLA is of special interest, since it is being held in the city of La Paz, where the Bolivian Government is formulating a new economic policy and passing through a social experience which has attracted the attention of all the other Latin American countries.

We also believe that the session is of particular significance, since ECLA has shown that it has achieved a degree of maturity and practical experience which are the forerunners of a new stage in its distinguished progress.

Our delegation hopes that this valuable experience, accumulated and stimulated by our Latin American generation, will express itself in advice on the study of specific projects for the Governments and peoples of the region.

A further important aspect of this session is that it will be the first time when discussions will take place, on a wide basis and with specific background data, on the old desire of our peoples to join forces in integrated economic development, seeking a higher standard of living for the people within their common historic destiny.

The figures which ECLA has given us in its Survey of Latin America for 1956 show a notable reduction in the rate of growth of the region as a whole. In relation to these trends, we feel that we should make some comment on

/Chile's recent

Chile's recent experience in its stabilization programme. In view of the decline shown for 1956 in the figures which give a provisional indication of Chile's gross national product, it is necessary to consider the positive aspects involved in the firm reduction of the rate of inflation in our country. The national will to achieve a balance economic development is so great that a deliberate risk of political unpopularity has been run, and even the temporary stagnation in the rate of growth which the figures show.

The stabilization programme basically involved co-ordinated action in the three fields which Chilean experience indicates as fundamental: (a) automatic salary readjustment policy; (b) expansion of the means of payment and credit, and (c) reform of the foreign exchange and trade system. Together with these, there was an ordering of State finances, and a gradual elimination of direct control of the prices of goods and services.

One of the bases for this programme was undoubtedly an Act passed at the beginning of 1956 which suspended the legal practice of automatic adjustment of wages and salaries in January of each year in proportion to the increase in the cost of living during the previous year, introducing in its stead a readjustment of 50 per cent of the cost of living increase for the year 1955.

The strict methods of control of monetary and credit expansion adopted since mid-1955 include fixing quotas for the monthly expansion of credit for each bank, and regulations

/covering rediscounting,

covering rediscounting, designed to control it more strictly when it exceeded 50 per cent of the capital and reserves of the institution requesting the discount. The policy of this system is based fundamentally on the limitation of the fluidity of the banking system. This limitation also prevents the entire use of the quotas assigned, and is in turn the outcome of a careful issue policy, especially in favour of the treasury, which had been the principal factor in the increase of the means of payment.

The severity of the credit aspect of the stabilization programme could not but affect certain basic sectors of the country's economy, especially construction, but its intention, naturally, was not to create difficulties leading to crises. Certain changes in the restrictive monetary policy maintained since last November became essential. This attitude, far from indicating an abandonment of the policy followed up to that time, is only the expression of the intention of the Government and the monetary authorities not to jeopardize the progress achieved. It is also a practical demonstration of the flexibility required in the handling of the economic policy, to avoid falling into the vice of "mechanicalism" mentioned by Dr. Roberto Campos in his address of yesterday.

The foreign exchange reform was brought into force on 24 April 1956, after agreement with the International Monetary Fund, and included the abolition of multiple rates for imports and exports, replacing them with a single rate freely quoted in the banking market.

/The direct

The direct control of imports through import permits was also eliminated, and in its place there was a list of authorized imports which allowed any firm or person to import any of the permissible materials, with no limitations as to quantity, currency or country of origin. The only requirements are the registration of the import in the Central Bank and the payment of a deposit in domestic currency of a certain percentage of the total value of the import; this percentage varies between 5 per cent and 600 per cent, according to the type of goods.

The various currencies are freely traded in the banking market, and the Central Bank is authorized to buy and sell foreign exchange without any limitations.

The new foreign exchange system has permitted normal supplies to enter the country within the available amount of foreign exchange, and has eliminated foreign back-debts without either foreign loans or the use of the stabilization fund of 75 million dollars placed at Chile's disposal by the International Monetary Fund, the United Stated Government, and certain private banks in that country. The clearest indication of foreign acknowledgement of the effort made has been the increasing flow of foreign capital to strengthen Chile's economy. It may also be added that almost all import subsidies in respect of essential articles have been eliminated; their prices now reflect their true value in relation to the prevailing exchange rate.

During the past year certain measure were adopted to reduce

/substantially the

substantially the negative effects deriving from the imbalance of the national budget. These mainly concerned reductions in public spending in foreign currencies, consolidation of long-term and medium-term outstanding obligations, and the introduction of new taxes. In spite of this, it has still not been possible to balance the budget, since, as State income did not increase at the same rate as the inflation, a vicious circle resulted, on which the above-mentioned measures should have an effect.

The Chilean experience thus confirms, once again, the practical impossibility of arriving at ideally orthodox solutions for fiscal policy, and at the same time emphasizes the urgent need for more thorough taxation studies, so as to make them more elastic under inflationary conditions. Perhaps this is an opportune moment to mention that my delegation hopes that ECLA will devote to this problem the effort it merits.

Finally, the Chilean Government has given preferential attention to the gradual elimination of price controls, so that prices may reach their true levels; controls on prices of imported items have been completely removed, and appreciable progress has been made as regards prices of both imported and domestic goods.

The efforts towards stabilization of the economy, and the progress made so far, have been achieved in spite of the recent fall of 30 per cent in the price of copper on the world markets. In view of the importance of copper to Chile's economy, the effect of this price decline has been severe,

/and has

and has hampered more notable advances in the economic stabilization programme. The success of economic regulating plans does not depend entirely on the internal conditions of the country, but - as is seen from our case - also on external factors beyond our control.

Speaking with the frankness which must characterize our discussions, it must be admitted that inflation has not yet been entirely eliminated, that we are still fighting, and that we believe that the civic spirit of the Chilean people will enable us to overcome this transition stage. We have made considerable advances, and our stabilization can show a favourable balance; it is the intention of the Government to persevere until its aims are achieved.

Our Government understands perfectly well that stabilization cannot be an end in itself. It is therefore necessary to explain also our efforts to increase production in accordance with the Agriculture, Energy and Transport Development Plan, formulated in 1954. This plan has been submitted for the consideration of the International Bank for Reconstruction and Development, and we are pleased to be able to say that its technical quality was praised by that institution, and that the first loans have already been approved for hydro-electric and coal-mining projects. We are sure that our efforts will continue to multiply, with the aid of the bank in specific projects which it is at present examining.

In addition to these efforts, the Development Corporation (Corporación de Fomento) is commencing studies on a manufacturing and construction development plan, to supplement that already mentioned in respect of agriculture, energy and transport.

/The Chilean

The Chilean Government's interest in atomic energy as an additional large-scale source of energy, also falls within these development plans and attempts are being made to create conditions in the country which will make its future use possible. On 25 March of this year the treaty establising the European economic community and the atomic agreement, known as Euratom was signed. Chile is particularly interested in the formation of the European economic community, since we have always directed our efforts towards greater inter-American economic integration, which would lead to greater progress and economic development of this hemisphere without prejudicing trade with other areas or the legitimate interests of the producers in each country.

Consequently, Chile does not criticize in general terms the formation of the European economic community, not only because it is an initiative of sovereign nations, free to handle their trade relations in the manner which they consider best, but also because we have for a long time favoured a similar idea for our own continent. The present European policy thus fully justifies the position which our country has traditionally maintained as regards international trade, tending to establish a special trade area for the Latin American countries.

Inspired by this idea in the first years of the Republic, we included in our trade agreements a special provision in favour of trade with Latin American countries, known as the "Bello Provision". In spite of the fact that our doctrine

/did not

did not meet with sufficient support, we have pursued our efforts in favour of greater economic integration of our continent. The repeated Chilean initiatives in various international organizations are well known, directed towards the strengthening of trade between Latin American countries as a means of supplementing the economies of our continent.

During the meeting of Ministers of Economy and Finance of the member nations of the Inter-American Economic and Social Council, at Rio de Janeiro at the end of November 1954, we submitted two resolutions. One of these concerned measures to promote regional trade on the basis of customs and trade systems of a special character between Latin American countries, and the other offered bases for a financial organization which would have formed a foundation for the proposed Inter-American Bank.

Later, at the sixth ECLA session, Chile and Uruguay jointly proposed the establishment of the Trade Committee to make practical suggestions covering the problems hampering Latin American trade. The first meeting of this Committee was held at Santiago in November of last year, and the most recent meeting of the Working Group on payments problems, at Montevideo, produced certain specific formulae in the achievement of economic integration in Latin America.

The Chilean delegation shares with other countries the idea of convening a special conference of countries holding clearing accounts. We believe that such a meeting should have as its object simultaneous bilateral negotiations to

/modify the

modify the present payments or other agreements, modeling them on those approved at Montevideo, without prejudice to established methods for each situation.

Our delegation also agrees with the criterion expressed in the interesting address yesterday by the Chairman of the Brazilian delegation, who stressed the need to proceed with realism and progressiveness. We believe that the best tool is the Trade Committee, to which our delegation wishes to give a high ranking; just as the Montevideo Working Group carried out a positive task in the payments field, so should the second working group on specific problems of the regional market. Furthermore, co-operation must be sought from the international agencies, such as the Technical Assistance Administration and others.

We believe that positive advances could be made by concluding agreements for promoting, through the collaboration of several countries, and with mixed financial support, the establishment or development of industries which require high capital and large markets; this idea was already mooted in August 1956 in the Report on the regional market presented by ECLA to the first meeting of the Trade Committee. This same report recommends the establishment, not only of general principles, but also of specific policy procedure suitable for the gradual building-up of the regional market.

The many studies made by the Economic Commission for Latin America in relation to Latin American economy and trade constitute a valuable contribution which the Governments of

/this continent

this continent, combining them with their own studies, can employ to project economic collaboration within the region on sound and specific bases, taking into account two fundamental points which affect the under-developed countries of the region: the placing and the prices of their primary commodities and the financing of their economic development plans.

We are pleased to see that the majority of the Latin American delegations express their support for the regional market, and we are sure that the idea, put forward by our country at Caracas in 1953 and at Rio Janeiro in 1954, will find definite expression in the forthcoming meeting of Ministers of Economy at Buenos Aires, in that the founding of the Inter-American Bank may become a reality. On previous occasions we have expressed our wish that this Inter-American credit institution should be the financing organization for development projects. Today, reaffirming our support for such an institution, we hope that it will be an efficient additional economic instrument in Latin America.

Before concluding, we would like to revert to an idea outlined earlier, regarding future ECLA studies. We have left the explicit presentation of our delegation on this subject to the end so as to stress the importance which we believe it holds for executive aspects and direct achievements.

ECLA and the Technical Assistance Administration have already examined the problem to which I refer, in offering

/us the

us the Manual on Economic Development Projects. We believe that this initiative could be extended by giving specific aid to Governments in the elaboration of individual projects in which they are interested. We are sure that this type of practical guidance of the Commission's studies will supplement the relative conceptual and methodological research into economic development problems, a sphere in which ECLA has produced such brilliant results.

In fact, we believe that the important progress achieved by the Commission in this direction justifies our aspiration to encourage it to take this new step, now intended to afford assistance to Governments, on request, in the preparation of specific investment projects. We also hope that these projects will merit the close attention of international credit organizations.

Our delegation will submit a definite proposal to Committee II, and we hope to count on the support of the other delegations, in initiating a new phase in the life of ECLA, a phase in which we are sure that the Commission will act the wisdom, perseverance, ability and spirit which is acknowledged not only by the member nations, but also outside this continent.

As Gabriela Mistral said, the peace of tomorrow, which is our first duty, must add economic justice to international and civil rights, and in no trifling proportion. The peace of old did not consider this element; Latin America has lived through soft and short-sighted days, which did not forsee

/this future

this future peace. Division, suspicion, rivalry, lack of ordinary planning, have all prevented us from becoming what we should be. Our aspiration is that our Latin America should cease to be the continent of hope. And to make it into the continent of reality, we must overcome the causes of our division.

Faced with the movement of material forces, we wish to express our faith in the spiritual values of man, and in the principles which have inspired our Latin-Christian civilization. We seek happiness for our people, especially for the poorer classes, not only through intense economic development, and we reiterate our desire to become a continent united in the principles of peace, liberty and democracy.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 15 May 1957

STATEMENT MADE BY MR. ISIDORO MARTINEZ, REPRESENTATIVE OF THE ARGENTINE REPUBLIC, ON 18 MAY 1957

The Argentine delegation is fully aware of its responsibility in accepting the honour of making a statement, through me, to the seventh session of ECLA. Because these meetings are so important, and because their importance is constantly gaining wider recognition, it was the wish of the Minister of Finance of my country to be present in person, and thus show how much the American peoples hope and trust in the efficacy of ECLA's dedicated efforts.

First of all, I wish to express our thanks to ECLA, the Technical Assistance Administration, the International Monetary Fund, FAO and all the other United Nations agencies, for the work they are carrying out in various fields to solve the problems affecting our countries. In particular, I should like to mention the magnificent job ECLA, in cooperation with other United Nations agencies, has carried out in the specific case of Argentina, where an extensive and penetrating report on our economy has been prepared. This report will be invaluable for consultation purposes in establishing a definite economic policy for the future. The statements made by the Executive Secretary and some of the representatives concerning general and technical matters, so clear in form and substance, make it unnecessary for me to discuss them in detail.

However, as I feel sure that all the representatives will

/be interested

be interested in specific references to the Argentine situation, since all our problems and all our hopes are so closely related I should like to make some comments on this subject. And I shall do so knowing that anything I say on the subject can be adapted, without serious changes in time or space, to other countries of the Latin American community.

My country's economy suffers from what I might call over-all or structural problems, which naturally affect our constantly pursued, though difficult to obtain, objective, the goal of all development programmes, which of course is to increase the national product, as a basic and indispensable step in attaining all other political, social or human goals in general, pursued by mankind.

I need hardly explain that the rapid attainment of that goal, sought under various political, economic and social regimes, depends upon the correct choice of the economic, political and social instruments most likely to succeed within the concepts applied.

If those instruments, that general economic structure whether industrial or agricultural, with the greater or lesser degree of importance each of these aspects has according to the level of development of the country involved, respond to the careful measurement of that degree of development, either as regards its internal structure or in its relationship to the economy of the region or of the world as a whole; if one can count on sound people both among the entrepreneurs and the salaried workers; if the State maintains its rightful degree

of participation in each stage of the process; if the distribution of wealth is socially just; if the national product is wisely divided between consumption and investment; if the tax system is as effective as it should be; and if all these factors are combined suitably, one can well believe that the desired goal will be attained more easily, bringing the consequent social and political advantages.

In the case of Argentina, the general picture of our economy must be drawn within the framework briefly described above, but there is a special circumstance which must be emphasized, that of over-all difficulties, which must be overcome immediately in relation to our economic problem, as a prologue to more important and basic action on the part of the authorities.

This is one of my Government's tasks which is being carried out normally, in the justified belief that the potential of the Argentine economy, as can already be seen, will make it possible to surmount these impediments in a reasonably short time.

The major general difficulties arise in principle from the same causes which affected other countries with an equivalent degree of development, and therefore we can, in their solution, apply already proven remedies, in order rapidly to regain the path of economic growth.

We have already heard at this session, repeatedly and eloquently, references to the measures I have mentioned, and they are so well known I shall only list them in passing: an increase of exports, expanded industrialization and the consequent substitution of imports; these measures are widely accepted

/as sound

as sound, and any controversy about them generally refers to the manner, intensity and opportuneness of their application rather than to their worth.

In our country it can be said that present difficulties are chiefly due to the marked tension abroad, which limits our import capacity as a result of the reduction of our exports, and to a degree of domestic stagnation caused by a considerable deficit in basic capital formation: transport, power, machinery, etc.

Our exports, 90 per cent of which consist of agricultural and livestock products, have not only been affected by a quantum restriction, but also because the foreign market terms of trade have become unfavourable to us, and are at this time as unfavourable to Argentina as they were during the depression years of the thirties. It seems important to me to point out how seriously our economy has been affected by this basic deterioration in our terms of trade.

Previously we could turn to the simple resource of increasing our agricultural and livestock production by incorporating virgin land into productive activity, but that resource has been practically exhausted for more than a decade; we might call that period the Golden Age of Argentina's farm production, which could then be compared without shame to that of other producer countries with the same characteristics. Agricultural techniques have followed a logical development, generally speaking, with which Argentina has not kept up on a desirable level. We now face the hard task of supplying our fields, within the next few years, with all the improved tools of genetics, mechanization,

/soil conservation

soil conservation and pasturage which have increased the yield in other countries in an almost unbelievable manner.

To this end the Agricultural and Livestock Technological Institute has just been created, with an initial capital of 300 million pesos, as an effective means for the technical improvement of our farm production. The Argentine Government is also turning its attention to the land ownership system, knowing how important it is to successful productivity, especially when modern techniques and machines are used. The co-operative system may be one method of establishing an adequate relationship between the frequently unbalanced value of the machinery and the land to be worked. It is also opportune to state here that this concern for agriculture, the almost exclusive source of Argentina's foreign exchange, is not giving it preference over the absolutely indispensable industrialization of the country, since the latter is the only means of keeping up our development and raising our living standards.

Our purpose is to reach and pass the production figures we attained not long ago, and, though the task is difficult, we are confident of success; furthermore, it is our intention to succeed in such a way that production will develop chiefly in those items most welcomed on the world markets.

It must be admitted that world conditions are not particularly helpful to us, for in addition to the expanded production and even self-sufficiency plans many of the traditionally consumer countries are developing, new exporters - or countries which were only minor exporters - have entered the market since

/the War

the War with enormous surpluses. These surpluses seriously affect the markets, especially when offered on those of some neighbouring Latin American countries traditionally supplied by Argentina.

In spite of all this, and on the basis of realistic and conservative calculations, we estimate that our exports will progressively increase, and that by 1962 income from exports may climb from its present level of approximately 1,000 million dollars to some 1,500 million or 1,600 million. I have just mentioned the figure of 1,000 million dollars, and it is most important to point out that this export-income is sufficient to finance our present imports of raw materials, semi-manufactured goods and fuel, so that the deficit in our balance of payments for 1955 and 1956 relates exclusively to the import of capital goods and equipment necessary to the country's industrial development and mechanization.

For 1957, due to the policy of economic stabilization and export expansion being followed by our Government, there will be a reduction in our balance of payments deficit. It should be remembered that when, in October 1955, exchange and economic measures in this direction were initiated, it was already foreseen that the foreign payments situation would show a deficit during the following years, in spite of the effects of the measures designed to encourage exports, reduce imports, consolidate short-term debts and obtain private and public funds from abroad for the purchase of capital goods.

Towards the end of 1956, the prospects for agricultural

production led us to hope that our payments situation as regards limited transferability and agreement currencies would be strengthened in 1957, while our dollar deficit would be reduced.

In spite of unforeseen factors, such as the low yield of the maize crop and the increased cost of fuel due chiefly to the higher freight charges brought about by the middle East crisis, which led us to believe at one time that the payments deficit in 1957 would be about 200 million dollars, the later favourable development of events and the success of other measures adopted permit us to forecast that our deficit may be less than 60 million dollars. Furthermore, Argentina has recently obtained 75 million dollars from the International Monetary Fund to cover circumstantial or temporary payments problems.

As regards foreign trade, it is worthy of note that, thanks to recent promotion measures, Argentine exports increased during the first quarter of 1957 to a value of 277 million dollars as opposed to 221 and 225 million for the same periods in 1955 and 1956 respectively. This permitted the reduction of our trade balance deficit for the first quarter of 1957 to 18 million dollars, as opposed to the 71 and 57 million deficits for the first quarters of the two preceding years, despite the fact our import figures show slight temporary increases. These results are encouraging, and we do not doubt that in the near future our foreign payments situation will be stabilized.

The need to import capital goods and equipment is great,

/partly because

partly because these have not been renewed during recent years and also due to industrial expansion. Transport improvement plans which are already in operation, and for which we are counting on credit assistance from the Export-Import Bank, together with plans about to be put into effect to promote petroleum exploitation for industrial re-equipment and expansion, call for imports whose value during the next few years can be estimated conservatively at a minimum figure of 1,400 million dollars. It is only reasonable that, for the successful completion of this effort, Argentina should need the assistance of capital from abroad, both in the shape of public credits (from Governments or international organizations) and in that of private credit and direct capital investment.

Very soon the Argentine authorities will put into effect a broad industrial equipment programme through imports of capital goods and machinery, to be financed through the credit channels established for such purposes by many countries exporting these items, particularly those of Western Europe.

And on this point it is advisable to state that, according to our calculations, this amount of foreign credit is perfectly compatible with our future amortization and payment of services capacity, and that this contribution from abroad is only a small proportion of the gross investments the country intends to make, which, for the same period, can be estimated, without exaggeration, at some 16,000 million dollars. Therefore, we calculate that the foreign contribution will represent some 8 or 9 per cent of the increase over present capital

/we hope

we hope to attain by 1962. As you can see, the greater part of the effort involved will fall upon the resources and capital formation capacity of the country itself, which is a further demonstration of its great potential.

In this connexion we should point out the specific possibilities the Argentine economy offers foreign investors in the development of activities related to the production of raw materials, semi-processed and capital goods. Among other basic encouragements, they will be assured of a sustained demand from the vast domestic market, adequate manpower and the stimulus of the previously mentioned imports substitution policy.

It has been said that by 1962 we hope our exports will reach a minimum level of 1,500 million dollars, but this may be insufficient to cover the need for imports as increased by a vigorous development of our domestic economic activity and at the same time cover the amortization of credits contracted during the next few years. For this reason my country is prepared to make a sustained effort in the field of import substitution, which may bring about an annual saving of about 600 million dollars, taking into account the increase in petroleum, coal, and hydro-electric power production, the promotion of the iron and steel, chemical and petro-chemical, mechanical and cement industries, etc.

And this is justified because, though our industrial growth has put us in a relatively satisfactory position as regards all branches of the production of consumer goods - which we are even able to export - the insufficient development

/of basic

of basic industrial activities and of petroleum exploitation cause a certain degree of external vulnerability.

Industry in particular, and all economic activity in general, depend on raw materials and semi-processed goods which, to a considerable extent, it is necessary for us to import. Our purchases of such items cannot be reduced immediately, due to their rigidity, without seriously affecting the economic activity and giving rise to a series of difficulties it is unnecessary to enumerate. Therefore, the measures planned by my Government to lighten this external burden are directed towards a vigorous increase of exports, the development of petroleum production, and a sustained import substitution policy.

In view of these policies, we believe that by 1962, our year of reference, our external vulnerability will have been satisfactorily overcome.

These observations refer in general to the over-all and structural situation in my country, and I think it would be opportune to complete them by making brief reference to two basic aspects of the rehabilitation programme Argentina is facing.

In regard to the anti-inflation campaign and the policy of monetary stability, we can mention the elimination of unnecessary public expenditure, a conservative credit policy and fair treatment of the wages question as the principal means to be applied in attaining our objectives, on which the Argentine authorities have taken a firm stand. I can give you here a concrete example: the relative growth of circulating capital

/was lower

was lower in 1956 than in any year of the preceding decade with the exception of 1952, when a drastic credit restriction policy contributed to a lamentable contraction of the economy.

The other basic aspect refers to the modifications which have been and are being made in the exchange system and in the framework of our foreign trade. Since the multilateral trade and payments agreement concluded among most of the Western European countries went into effect, almost 80 per cent of our trade is being effected outside the sometimes narrow and arbitrary channels of bilateralism.

This external fluency is supplemented by domestic measures designed to eliminate the quantitive quotas in distributing foreign exchange to importers, which quotas frequently lead to injustice and improper use of exchange resources. In this connexion, the automatic granting of import permits has become generalized, while for one sector of trade items total liberalization has been effected through the use of the free market for exchange.

We should like to emphasize the attention and interest with which Argentina follows all measures leading our countries towards the integration and complementarity of their economies; and we believe that the time has come to programme and harmonize Latin America's economic development plans methodically. The not always adequate size of the national markets forces us to overcome the obstacle of our frontiers. The industrial phase which our countries are entering firmly and vigorously must remind us of the danger of establishing uneconomic

/industries on

industries on either side of an international border, without first seeking a system of complementarity in so far as it is rationally feasible and ensures mutual advantages. We must avoid the danger of an insecure future for these industries, and avoid too the danger of their becoming an onus on the communities, which will occur if they do not have sufficiently broad markets to permit the application of modern production techniques.

In this respect the European countries are setting us an example: through the years, each country has specialized in its field of industrial production; certain chemical, optical, mechanical and other industries have developed only in specific countries because of the advantages of concentrated effort in a limited field. We must apply that experience.

It is possible, as the representative of Brazil cleverly suggested, that, in leaving the field of purely pious good intentions, we may discover some cause for concern, but the reward the attempt offers Latin America is so vast and so necessary, that I do not doubt we will find full support for our intention to abandon the Nirvana we have thus far enjoyed. In any case, expanded markets are a necessity, an unavoidable need imposed by technical progress, even in relation to the communities in their present form of political organization, and this expansion has been taking place logically and inexorably, the markets developing from simple to complex forms. The tribal system has been left far behind, followed by the organization of townships, then small States which led to the

/establishment of

establishment of the nations existing at the beginning of this century. And those nations already differ from their present day counterparts, which see the need for means of continental unity, usually initiated for urgent economic reasons with the establishment of common markets and economic unions. Europe, the cradle of Western civilization, is our example in this also.

Were we concerned only with our immediate interests, we would not particularly worry about the integration plans of the European Common Market. We believe that they will lead to sound economic development in the Old World, and to an increase in the demand for Latin American commodities proportional with the increase in the per capita income of the European population. Further, the technical progress which will be encouraged in Europe for this development may have fruitful effects on our own future activities.

Nor do we fear the investments these countries intend to make in other continents. We also believe that the world has one single economy, and that progress in any region favours the others to a certain extent, sooner or later.

But we are concerned and worried by the preferential treatment and discrimination which may result from the present European plans, concerned not for Argentina itself, since its commodities do not in principle appear threatened by such a policy, but for the other countries of this area.

Although we do not think this is intended, and that in their own interests European investments will not turn away from Latin America, anything which weakens the Latin American

/economy of

economy of which we feel ourselves part and with which we want to be integrated, weakens us, and our immediate and frank reaction is to take a firm stand beside the other countries of the region if it becomes necessary to seek solutions.

It is our firm belief that, in creating regional formulae of any type, the only goal sought is more effective means of economic complementarity in the broad field of world organization.

Accordingly, I wish to point out the satisfaction my country feels regarding the conclusions reached by the representatives of the Central Banks at the recent Montevideo meeting, which was held on the instructions of the ECLA Trade Committee. During that meeting, full agreement was reached to recommend to the interested countries the adoption of a standard payments agreement as well as other measures which will give the clearing account currencies purchasing power similar to that of hard currencies, and thus make their balances comparable.

Once the respective payments systems are established on these bases, the voluntary transfer of balances will be possible. And this will not prevent the future improvement of the measures to which I have referred, in the light of experience acquired, leading towards a more automatic transferability which will eventually make the currencies involved freely transferable to other areas. Argentina firmly supports these principles, and believes them to be a positive contribution to the development of inter-Latin American trade and an important step towards eventual multilateralism.

My country trusts, with understandable interest, that

/the results

the results of this meeting will be effective in solving our functional and structural difficulties, for our own benefit as well as that of Latin America as a whole and of those extra-continental countries represented here who share our concerns and our projects.

Argentina is in a position to make use of all these valuable measures and to proceed, as it has begun, with the reorganization of its economic structure.

With the strengthening of its monetary reserves the increase of its exports, the reduction of its balance-of-payments deficit by the substantial reduction of the present budgetary deficit, with the measures for the rational liberalization of the economy, the firm anti-inflationary policy, the expansion of its markets through the multilateral system, the facilitating of imports required for capital formation, and the loan from the International Monetary Fund, all measures which I have mentioned before, my country is proving its recognized economic vitality, and showing that it is in a position to continue to be a worthy member of this great Latin American Commonwealth of Nations to which it belongs by conviction and affection.

Mr. Chairman and fellow representatives: I shall be most happy if I have succeeded in conveying to you my country's firm intention to co-operate increasingly in ECLA's notable undertakings, carried out so expertly and perseveringly under the outstanding leadership of the Executive Secretary Dr. Raul Prebisch. On his work I cannot say too much: many Argentines today owe him their training in economics, and I too, as Dean

/of the

of the Faculty of Economic Sciences of Buenos Aires, remember having received lessons from him there - and if they did not fall on more fertile soil, the teacher is not to be blamed.

In concluding, Mr. Chairman, we should like to pay to Bolivia, its people and its Government, a tribute of gratitude for the affectionate and kind reception they have given this assembly, for whose success we express our most fervent hopes.

ADDRESS DELIVERED BY MR. HAROLD M. RANDALL, REPRESENTATIVE OF THE UNITED STATES OF AMERICA, ON THE FIFTH PLENARY SESSION HELD ON 18 MAY 1957

Through the courtesy of my colleagues it was my privilege at the opening session to remark upon the satisfaction of meeting here in La Paz for this Seventh Session of the Economic Commission for Latin America. It has indeed been most heartening and pleasant to experience the sincere and cordial reception accorded us by His Excellency, Dr. Hernan Siles Zuazo, President of Bolivia, by members of his Government, and by the people of this friendly country. All have, by manner and action, made us feel very much at home. Bolivia as a mediterranean country in this great area of South America is one which inspires tremendous interest in each of our separate countries, and the opportunity to visit here is an occasion which we will always recall with the greatest of personal pleasure.

The United States Delegation comes to this session convinced of the value of meetings such as this, which value lies in our ability to sit down one with the other, to examine mutual problems and to exchange ideas. My Delegation will, as usual, be guided by a desire to treat objectively such proposals as may be presented. We believe that only by such effort on the part of all can sympathetic and mutual understanding be achieved and progress toward our common goals realized.

Mr. Chairman:

Mr. Chairman:

It is now nine years since the establishment of the Economic Commission for Latin America.

My Government has actively supported the three regional Economic Commissions of the United Nations, whose establishment stemmed from the conviction of the drafters of the United Nations Charter at San Francisco in 1944 of the inescapable interdependence between political stability and economic development and well being as elements essential to the maintenance of world peace. These Economic Commissions were constituted on a regional geographic basis in the belief that certain economic problems are largely regional in character, or manifestly common to members of a given geographic region. Each Commission has made a signal contribution as a forum for joint discussion of mutual problems and policies. These forums have provided a wider understanding of world economic interdependence.

As a member of all three Regional Commissions, the United States is particularly aware of the global nature of many of the problems confronting each region, and of the growing appreciation among the respective members of each Regional Commission of the important role of the Economic and Social Council of the United Nations in proper coordination both of their work and that of the specialized agencies, and other international organizations. Although the dangers of economic nationalism, which each of the

/Secretariats of

Secretariats of the three Regional Commissions has emphasized, have been reduced, those of economic regionalism should not be ignored.

In the economic field the United States has supported the establishment not only of the Regional Economic Commissions, but also of the specialized agencies such as the International Bank for Reconstruction and Development, the International Finance Corporation, the International Monetary Fund, the Food and Agriculture Organization, the Expanded Technical Assistance Program, the International Labor Office, and the International Civil Organization. This support to programs of United Nations Organizations for the promotion of economic welfare and development has been in addition to those negotiated on a bilateral basis by the United States Government, and the contributions made by private investors and businessmen. Indeed the value of the contributions of private enterprise through the sharing of technology, development of production and market potentials, and providing fuller employment domestically and abroad, is now, fortunately, receiving increased attention as evidenced in statements made during this session. The Secretary General of the United Nations has on occasion remarked that the work of the United Nations is not alone the province of Governments. Both the International Bank for Reconstruction and Development and the International Finance Corporation illustrate means by which the United Nations Specialized Agencies may tap the resources and encourage the initiative of private institutions and individuals.

and individuals. My Delegation trusts that this Commission will increasingly stress the role of private capital both domestic and foreign in the process of economic development.

I would turn now to a question that has continuously concerned the United States, that of the Work Program of the Commission. The existence of so substantial a number of International Organizations in the economic field makes it imperative that each exercise the greatest diligence to the end that duplication be avoided and that work engaged in by each be kept within the range, both of its mandate, and its resources. The tasks confronting the United Nations Regional Economic Commissions through the assignments made by Member Governments to the respective Secretariats far exceed the staffs and budgets made available to them. The manpower shortage is acute. Specialists and trained economists of the type and caliber which characterize the ECLA Secretariat, for example, are not readily available or easily recruited. We are all grateful for the devotion to work which they have shown throughout these years, fully conscious of the fact that in many cases this devotion has overridden purely personal considerations. We all recognize that further increases in budgets are at best improbable. Hence, it is most important that at this meeting we carefully review the Work Program currently imposed upon the Secretariat and critically examine any additional assignments that may be proposed. Otherwise, we risk spreading the work of the

/Secretariat over

Secretariat over too wide an area, in fact one so wide as to include activities or undertakings which either are not within the terms of reference of the Commission or which may be done more readily and effectively by other organizations.

The problem of effecting greater concentration in the Work Programs of the Regional Commissions has increasingly been in the forefront of discussions in the Economic and Social Council. M. de Seynes referred to it in his address here Wednesday. At its twenty-second session last July the Council requested the Secretary General to prepare a report on this subject. On the basis of his report and of the Work Programs for 1957-1958 as elaborated in each of the three Regional Commissions this year, the Economic and Social Council is expected to make a determined effort at its 24th session this coming July to streamline these Work Programs and coordinate them more closely with that of the Council itself and that of the United Nations Secretariat. Consequently, my Delegation hopes that at this session the Commission will give appropriate consideration to this problem in order to assure that as informed a discussion as possble with respect to the work of ECLA may occur in ECOSOC. In this task the Commission will, of course, be effectively assisted by the Executive Secretary in offering substantive suggestions for elimination of certain existing scheduled projects of marginal utility or significance to the region as a whole.

/It is ...

It is also the hope of my Delegation that Committee IV on Work Programs and Priorities will give special attention to the coordination between the Commission's Work Program and those of the Specialized Agencies, and will more clearly define the relationship between technical assistance and operational work and that of ECLA.

With respect to proposals for new projects, my Delegation will propose that their sponsors include an estimate of costs involved. Without such estimates, it is manifestly impossible for the Commission intelligently to assign priorities or determine which of the existing projects can yield place to new ones proposed.

Mr.Chairman, I have dwelt at some length on the subject of the Commission's Work Program because of its current importance. One of the most acute symptoms of an excessive Work Program and an over-worked Secretariat is found in the latter's inability to place in our hands many of the key documents for the discussion of which this meeting was convened. The majority of such documents as were received by my Government arrived shortly before our departure for La Paz. Of those, only a few were in English. In consequence, it has not been possible to obtain within my Government the careful consideration which the subject matter of these documents warrants. I am sure that other Governments here represented have experienced similar difficulties. It was to avoid just such a situation that the stipulation was made

/in Rule

in Rule 7 of the Rules of Procedure of the Commission that all documents scheduled to be discussed at Commission meetings be placed in the hands of the Governments at least thirty days in advance of the meeting date.

My Delegation called attention to this problem at the Sixth Session of the Commission at Bogota. It cites this current experience as further evidence of the imperative need for the Commission to reexamine the seemingly unmanageable burden imposed on the Secretariat.

Mr. Chairman, may I repeat: our purpose in supporting ECOSOC's call for this streamlining is to increase the effectiveness of this Commission within the framework of the United Nations.

I should now like to make some general comments on economic conditions in Latin America in 1956 as revealed in the most recent issue of the Annual Economic Survey. The impression one receives from reading the Survey, in the context of its preceding volumes, is that of an economy which, despite ocassional setbacks, is moving steadily forward. It appears that in 1956 the per capita growth was not as great as in some past years. In this respect Latin America seems to be reflecting the slower rhythm of growth registered by the world economy in 1956. Nevertheless the over-all gross product for the region grew by some 3%.

My Delegation was particularly pleased to note that during 1956 the volume of exports from Latin America reached a new record high. It is a source of satisfaction that United

/States imports

States imports from Latin America in 1956 totalled 3.6 billion dollars of which 2.1 billion were agricultural products. This total was 300 million dollars higher than in the previous year. In the view of my Delegation there are continuing opportunities in today's world for a further considerable expansion of Latin America's exports. In this connection I should like to commend the Secretariat of ECLA for stressing in this year's Survey the importance of the policies pursued by the Latin American countries themselves in the stimulation and development of their export trade.

Tourism is another export which offers substantial opportunities for expansion if given the diligent attention of Governments and private enterpreneurs. Tourist expenditures in Latin America by residents of the United States rose 10% to a new high of $350 million in 1956. The bulk of this amount went to the Middle American countries. However, with the reduction in travel time resulting from improved transportation, with the lowering of travel costs and the increasing interest in foreign travel by the general public in the United States, there is expected to be a constantly growing appreciation and enjoyment of the wonderful tourist attractions that South America has to offer.

In closing these comments on trade, I wish to make reference to the disposal of cotton surpluses by the United States, which subject was discussed briefly in the Survey. I was pleased to note that the FAO Representative pointed

/out on

out on Thursday that disposal of surplus agricultural products in the past two years has proceeded in an orderly fashion. In its programs my Government has endeavored at all times to avoid disruption of world trade. It is prepared to continue to discuss specific problems that may arise both bilaterally with interested countries and in the FAO Consultative Sub-Committee on Surplus Disposal.

We have been gratified to observe the favorable trend in private investment in Latin America in 1956. As noted in the Secretariat's Survey, the expansion in gross investment achieved in 1956 was entirely due to private investment. The rising ratio in recent years of private to government investment is, in the view of my Delegation, an indication of a sound development. The net flow of United States direct private investment in Latin America in 1956 reached $521 million, and private investment in other forms added another $197 million to this amount. These figures, which far exceed those of the past few years, reflect a vigorous revival of the international flow of private financial resources and the technological advances that go with them. Latin America has taken a leading role in this development. The figures for 1956 are, we hope, an indication of a continuing trend. The potential resources of private investment are barely tapped.

In this context, we have noted that recent Secretariat studies have focussed attention on the indirect effects of private investment on the national income and balance of

/payments of

payments of capital-receiving countries. This is a field in which there has been too little reliable information. My Government has attempted to make a contribution in this area by undertaking a study of the indirect effects of the operations of United States companies in Latin America. The study covered the year 1955.

I shall mention only a few of the points which the study brings out. The exports of these companies from Latin America amounted to 2.2 billion dollars, and their sales in the local markets to 2.5 billion. They earned or saved $4.7 billion in foreign exchange for the local economies, while they used a total of 1.3 billion for imports and for remittances. The contributions of these companies to the national income and to the balance of payments of the host countries were therefore many times larger than the net flow of capital between the United States and the host countries.

United States manufacturing companies in Latin America produce largely for the local market. Their sales were $300 - 400 million each in Argentina, Brazil and Mexico, and $50 - 100 million in Chile, Colombia, Cuba and Venezuela.

The United States companies in our study spent the equivalent of $1 billion for wages and paid $1.1 billion in taxes to Latin American Governments. Expenditures by United States companies for plant and equipment in 1955 were over $400 million, which, it is estimated, was at least 10% of total private investment in fixed industrial assets in the area

/and was

and was concentrated in productive sectors. The study to which I have referred does, of course, fall short of an ideal measure of the impact of these particular enterprises on the local economy. Ideally we would also like to know what the local suppliers, suppliers, from whom the foreign companies bought $1.8 billion dollars worth of materials and equipment, contributed to the local economies by way of additional employment and taxes. Such secondary expansive effects still scape statistical measurement, but they do no doubt add substantially to the total impact of foreign investment.

Let me repeat that we have no more than a sample study. We hope that the member countries of ECLA will bring additional evidence to bear on this important subject.

The year 1956 was also outstanding as regards Export-Import Bank lending in Latin America. During that year credits authorized by the Bank for economic development in Latin America exceeded $400 million. Given the full cooperation of the Latin American countries in formulating sound development projects, the Bank should be able, within its normal lending criteria, to continue making substantial credits available for productive purposes to the countries of the region.

One of the topics on the agenda of great interest to us all is that dealing with the repercussions of the Western European Common Market on Latin American trade. The United States Delegation welcomes the opportunity to participate

/in this

in this discussion. It gives representatives of some of the Common Market countries who are present a chance to explain the treaty and to hear the views of those Latin American countries who are not participating in the consideration of this subject in the framework of the General Agreement on Tariffs and Trade.

From the study to date of the Common Market Treaty which my Government has made, we believe that in its broad lines it is in conformity with the spirit and purposes of the GATT and, therefore, with the principles of international trade to which the United States subscribes. It seeks a high degree of competition and mobility of resources. It has the potential to contribute to the dynamic growth of prosperity and long-term economic health in Western Europe. This should result in an increase in the demand for imports from which the Western Hemisphere generally would benefit.

The Common Market Treaty is based on the premise that tariff rates and other restrictions on trade should be lowered and is consistent with the continuing movement toward world-wide multilateral trade and convertibility of currencies. Provision is made for the elimination within the area of all tariffs, quantitative restrictions, and other barriers generally within a defined period; it provides a "Plan and Schedule" for such elimination; it covers "substantially all" trade among member countries. In these respects it appears to meet the terms of Article XXIV of the GATT, which reflect the

standards on which the United States has agreed with the other contracting parties.

However, the United States, with other countries, has certain concerns regarding the Common Market Treaty. These primarily relate to the level at which the common external tariff may be established, the administration of the agriculture provisions, the manner in which quantitative restrictions may be used for balance of payments reasons, and the implications of the treaty provisions concerning overseas territories.

While much will depend on the spirit and manner in which the Common Market Treaty is administered, the United States Government is anxious to ensure that in the GATT considerations now under way the interests of both signataries and non-signataries are safeguarded so as to contribute to the strength of the multilateral trading system.

In this connection, I would like to mention, as others have done, the facilities provided by the General Agreement for non-signataries to attend meetings of the Contracting Parties as Observers. Any countries which may desire to present their views have ample opportunity to do so.

On the question of customs unions or free trade areas, the position of my Government has been stated so frequently as not to require reiteration. I would only add that any proposals for the establishment of such economic entities should, in the best interest of the participants and of world trade, be similarly designed to promote the more

/efficient allocation

efficient allocation of resources through the stimulation of competition by lowering trade barriers.

Finally, Mr.Chairman, I should like to comment very briefly on economic developments in my own country during the past year.

When we last met in Bogota in the latter months of 1955, economic activity in the United States was recovering from the slight recession of 1953-54. After this there was a resumption in the long-term growth of the United States economy. Wholesale prices have been moving upward since the middle of 1955 after two and a half years of virtual stability, followed by a similar trend in the cost of living index beginning in the spring of 1956. Because of these evidences of a strong demand, both fiscal policy and monetary policy are being directed toward moderation and stability. A small budget surplus is anticipated for the current fiscal year. The monetary authorities have maintained restraint on the money markets. The official rediscount rate at the Federal Reserve Banks was raised four times in 1955 and twice in 1956; in August the rates reached 3%, the highest in over a quarter of a century.

It is significant that the 1956 increase in national output occurred in a year in which two major segments of the nation's economy - automobile production and residential building - suffered declines. More than offsetting these factors, however, was the 20% expansion in business expenditures

/for capital

for capital formation - evidence of confidence in the future of the economy on the part of business - and an increase in consumer expenditures for nondurable goods and services.

Business as a whole has maintained a high rate of activity during the early months of 1957, with gross national product in the first quarter estimated at an annual rate of $427 billion, 3.5% above the 1956 average, and about 6% higher (in money terms) than a year earlier, and capital expenditures are expected to be greater than in 1956. Employment reached record levels in recent months and demand in the economy as a whole appears to be strong. The consumer price index rose slightly again in April for the eighth consecutive month. In view of this fact, the monetary authorities have not relaxed their pressure on the credit system. I believe it would be a fair appraisal of economic thinking in my country to say that no substantial body of opinion either in government or private circles expects any significant change in general business conditions during the rest of this year.

The high level of economic activity in the United States has redounded to the economic benefit of the rest of the world. Merchandise imports reached an all time high of over $12 billion last year, rising by more than 10% for the second year in a row. The net outflow of private United States capital at $2.7 billion was higher than in any previous year since the late twenties.

/For over a

For over a decade the United States has enjoyed a high, relatively stable, and constantly growing level of economic output; it provides a $400 billion market. The United States Government is committed to a policy of high employment and high economic activity. This is the best guaranty for a sustained and growing level of imports from the rest of the world, including Latin America.

The United States Delegation was very favorably impressed by the unequivocal remarks of the Executive Secretary concerning the evils of inflation. We agree completely that inflation does not result in a better distribution of the social product and that the burden of inflation generally falls most heavily on those classes least able to bear them. My Delegation joins with the Executive Secretary in expressing the most sincere respect and admiration for those Government Leaders and others in Latin America who are carrying on the difficult fight against inflation. The United States has given material and moral support to this struggle in several countries.

Mr.President: May I in closing repeat that my Delegation is here to discuss objectively and sympathetically the problems and their proposed solutions which will be considered at this session. It is confident that this same spirit is reciprocated by every other member and that by this approach we shall all be able to look back upon the Seventh Session as one effecting an additional step forward in the process of strengthening our efforts for international economic cooperation.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session

La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. HERMOGENES GONZALEZ MAYA, REPRESENTATIVE OF PARAGUAY, AT THE SEVENTH PLENARY MEETING, 18 MAY 1957

The delegation of my country - Paraguay - brings its cordial and fraternal greetings to this extremely important seventh session of ECLA, from which will emerge ideas and solutions which will make possible the dreams of our historic America. Today more than ever, Mr. Chairman, America feels itself to be a single unit, constituting the spiritual refuge of Western civilization; this is the desire of its men who, through these organizations, struggle to find adequate solutions by technical, intelligent and pacific means to improve their standard of living and raise each day their cultural level for mutual benefit, through work and liberty.

Paraguay, landlocked, as is our sister republic of Bolivia, - the scene of our discussions today - has suffered and continues to suffer the tremendous consequences of its inland situation and its limited economic and social development.

The principal characteristic of the economic activity of the country has been to attempt to attain a greater stability through an effective advance in the policy for containing inflation.

The most outstanding aspects have been the measures regulating salaries, prices, credits, foreign exchange, fiscal

/equilibrium and

equilibrium and administrative improvement.

Alongside these there has been the development of production, both in the channelling of credits and direct aid to the producers. The creation of the Paraguayan Development Corporation (Corporación Paraguaya de Fomento) may be mentioned as one of the significant measures adopted in this task of systematization and stimulation of Paraguay's economy.

Recently, production has been developed which may be expected to make a positive contribution in the near future to the national income and the balance of payments; this includes coffee-growing and the increase, although not on such a rapid scale, of cattle farming, forest activities and the introduction of a considerable amount of agricultural mechanization in general

Although inflation continues at a high rate, significant progress has been made. The value of our currency in the free market has varied only within a very close margin during 1956 and the first months of the present year. As regards circulation and credits, there was active advice from the International Monetary Fund to the Central Bank. The outcome was the maintenance of monetary issues within the 10 per cent established as a goal at the beginning of the year. A rigid control of credit was established in order not to exceed the predetermined amounts by category and activity. Notwithstanding this control, there was a liberalization of the activities of the private banks, formerly under the strict control of the monetary authorities. This has eased the task of the Central Bank, and has facilitated

/relations between

relations between clients and the banks. It has also led to greater interest on the part of the banks in widening their activities. Some have already increased their capital and others propose to do so shortly.

These events have undoubtedly increased confidence in the capital market, and it is thus possible that by the beginning of 1957 the private banks will commence to use their own credit lines abroad in the normal currents of foreign trade, a system which has not operated for many years. At the same time, the volume of exports and a more rational administration of foreign exchange have allowed the country to meet its external commitments, to cover some debtor balances in clearance accounts and maintain a certain reserve of means of international payments.

The decline in the rate of price increases has been particularly notable this year. The cost of living index showed an increase of 25.4 per cent in 1955, while in the first ten months of last year it was only 12.78 per cent. Since there has been almost no change during the recent months, it is presumed that in the next six months the increase will not be more than 15 to 18 per cent.

In some prices which have no immediate incidence on the cost of living there were considerable increases at the beginning of last year, resulting from the introduction of the new foreign exchange system. This effect, however, considering the market as a whole, was moderated by the compensation of greater supply of goods, which lowered the exaggerated profit margins. An appreciation of the present and immediate future situations

/shows that

shows that there are signs of stability in the prices of import goods (including some very important factors in the cost of living); on the other hand, prices of domestic goods tended to increase under pressure of rising production costs.

We have persisted in the use of price controls as a means of stimulating production, especially considering each article separately; easing the supply and cheapening the production cost elements has been recommended, and completely free trade as an alternative to price-fixing.

In March last there was a general salary increase of 25 per cent, although the deterioration since the last adjustment, plus the estimated incidence of pending price increases for essential articles, barely reached 20 per cent. The authorities estimated that prevailing conditions advised the 25 per cent increase. The effects of a sound policy in this sector have been achieved, now that the effects of monetary and fiscal inflation are passing, and the responsibility for the remaining inflationary process now lies in the development of the cost level.

With better control of foreign policy, domestic supply conditions have shown a marked improvement. This has resulted in less pressure on the price system and an encouraging effect on production, which has had a more adequate supply of the elements it requires, and with a few isolated exceptions shortage or lack of essential articles has disappeared.

It is obvious that the supply position will give immediate

/benefits to

benefits to the national economy, apart from the relief it will bring to the standard of living of the people and its direct stimulus in productive tasks.

The most important substitutions which Latin American countries may make are those included in industrial development, although various factors would relegate action in this field to second place. The reasons for this are capital requirements not easy to reconcile in an under-developed country, whose material resources could produce higher yields in a shorter time than industry, and whose domestic market is small, and where there is a lack of technique and skilled labour.

In Paraguay, foodstuffs take the first place (rice, wheat, butter, and coffee in the near future) with manufactured goods at a smaller rate (also foodstuffs, textiles, pharmaceutical articles, etc.).

The greatest efforts of the country have been devoted to the promotion of exports. In fact, new production and the development of traditional production have been mainly directed towards exports. A large proportion of available foreign exchange has been used to purchase elements destined for this development of types of production which will leave an exportable surplus (development of livestock, with a view to exporting meat, credits and import programme for manufacturing and timber-handling equipment, mechanization of cotton and rice growing, conclusion of international agreements guaranteeing markets for produce such as fruit etc.).

THE ROLE OF FOREIGN INVESTMENTS

Paraguay's policy in this respect has been to bend its efforts to creating favourable conditions for the investment of foreign capital. An example may be seen in Act No. 246, on foreign capital investments, which gives special tax exemptions and guarantees to investment. With this same purpose in mind Paraguay has joined the United States programme for guaranteeing foreign private investments.

The country's greatest interest is in foreign capital investments in the development of production of exportable goods, so that it will ensure not only the payment of dividends and amortizations, but will also improve the country's capacity to import.

MONETARY POLICY

Seeking its objective of a better monetary systematization, Paraguay requested advice from the International Monetary Fund, and its policy in this field has followed strictly the recommendations of that organization. As an outcome of this, it may be mentioned that, in spite of the persisting inflation, total issue during 1956 rose by ₲s. 298,000,000 from January to December. In the first quarter of this year issues fell by ₲s. 109,000,000 for seasonal reasons, while in the period January-March 1956, the reduction was ₲s. 35,000,000.

TECHNICAL TRAINING

Although during recent years the country has notably increased vocational, commercial and university education, even greater efforts are required in the training of skilled labour,

/foremen and

foremen and engineers, for industry, agriculture and forestry. At present, UNESCO is collaborating in the improvement of university teaching of engineering, and has also supplied equipment to complete the donation to the laboratories of the faculties of physics and mathematics, and of chemistry and pharmacy. The United States International Co-operation Administration is assisting in vocational training.

THE EXAGGERATED GROWTH OF URBAN CENTRES, AND USE OF SERVICES

Many production development measures have been adopted, taking into consideration the advisability of avoiding depopulati of the rural areas, and the existence of floating masses of unemployed in the urban centres, where their only aim is to obtain work in trade or offices. This fact has been considered in administrative reorganization, moving offices and services into the centre of the country; an example is the decentralization of the tax offices, which have been installed in the principal cities of the interior, whereby operations were transferred to them from Asuncion.

USE OF PROJECTIONS IN DETERMINING THE AIMS OF ECONOMIC DEVELOPMENT POLICY

Under the policy for containing inflation, the authorities have for some time tried to apply economic measures, not only on the basis of solutions to immediate problems, but also taking into account the development of the national economy.

This has been the case in the basic provisions adopted regarding monetary policy, foreign exchange, prices, salaries,

and others of a financial nature. The execution of development plans has also been attempted with a view to stimulating economic activity. To centralize this State action within a concept of integral development of the country's economy, the Corporación Paraguaya de Fomento was recently set up, one of whose functions is the preparation of a national economic development programme.

PROGRAMMING, STATE ACTION AND PRIVATE INITIATIVE

The position of the authorities of my country may be gathered from the foregoing. I would also recall the Act providing tax exemption for the incorporation of foreign capital, and the accession of my country to the United States guarantee plan for investments of private capital abroad.

The Government of my country has been endeavouring to reduce the number of controls which had to be adopted because of the continuing inflationary process, and has declared that its policy is to give the greatest guarantee to private initiative, and to allow the private sector to participate in the execution of projects of national interest, such as the Corporación Paraguaya de Fomento, Oleoducto Trans-Chaco, sugar mills, manioc mills etc.

As regards the criterion and technique for the selection, evaluation and preparation of individual projects within the overall programme, according to the current administrative machinery, the private sector must present economic projects to the relevant public organizations and departments. These organizations in turn will present these projects with their

/own to

own to the National Economic Co-ordination Council, where they may be considered and decided on through a criterion committee according to a policy of selection depending on the degree of national interest or urgency. In the near future the Corporación Paraguaya de Fomento will make this selection and evaluation, and if necessary complete the studies required by this type of project.

TECHNICAL ASSISTANCE IN ECONOMIC DEVELOPMENT

Paraguay is receiving aid from the United Nations Expanded Programme of Technical Assistance through experts from FAO, UNESCO, WHO, ICAO, TAA and ILO, some of whom are working directly on problems relating to economic development. The International Co-operation Administration has been carrying out an interesting study whose results have been utilized in part in development measures, and which also constitutes valuable material for a joint study of the economic expansion possibilities in Paraguay. There is an understanding in principle that TAA experts on various subjects (industry, transport, statistics and economic programming) will collaborate with the Corporación Paraguaya de Fomento in the preparation of economic development plans for the country. It is also possible that, in 1958, the specialized TAA and ECLA team which holds special courses in the programming of economic development at the headquarters of ECLA in Santiago will come to Paraguay.

Before concluding I would like to add my expression of gratitude to the Bolivian Government and people who, under this

/clear American

clear American sky, are giving us such a cordial welcome, doing honour to their nobility, as faithful exponents of human fraternity.

Information document No.29

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. FEDERICO CONSOLO, REPRESENTATIVE OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, AT THE FIFTH PLENARY MEETING, ON 18 MAY 1957

Although my personal feeling is that the observers should confine themselves to attending the meeting, and should not aspire to eloquence, I should like to say just a word or two.

It is particularly gratifying to me to have the honour of representing the International Bank at this seventh session of ECLA. For a long time now - in fact, ever since its foundation the Bank has followed the work of the Economic Commission for Latin America with interest and appreciation. As time goes by, the ECLA studies are acquiring a well-deserved reputation for high intellectual, scientific and practical value, and are becoming increasingly useful to all those concerned with the region's economic development.

With respect to the Bank, I might mention here what was done within the last few months, in connexion with the application submitted by the Government of the Republic of Argentina for a mission to be sent to study the economy of that country. The first instruction issued by the Bank was that the mission should stop in Santiago, Chile, on its way to Buenos Aires, to consult ECLA on Argentina's problems and thus take advantage of the information and guidance which it would obtain from the ECLA mission whose stay in Argentina had ended some weeks before.

/It was

It was also a great pleasure for the Bank to be able to co-operate in the preparation of the Manual on economic projects which has been presented at this session.

Although perhaps hardly necessary, it may be worth while to place on record here that the staff of the Bank is in constant touch with the ECLA office in Washington, whose staff is in fact regarded as part of the International Bank family.

I should also like to express our gratitude to the Governmen of Bolivia and ECLA for their kindness to us on this occasion.

Information Document No. 30

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session

La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. ULPIANO BLANCO, REPRESENTATIVE OF THE WORLD HEALTH ORGANIZATION, AT THE FIFTH PLENARY MEETING, 18 MAY 1957

The World Health Organization is represented at this seventh session of the Economic Commission for Latin America through its Regional Office for the Americas, the Pan American Sanitary Bureau.

The repercussions of the health of the peoples on their economic development fully justify the growing interest in this problem manifested by the statesmen of the Western hemisphere, whose deeds and aspirations have finally crystallized in the creation of international organizations to promote better health conditions for the American peoples.

It should be pointed out that as early as 1902, when the Pan American Sanitary Bureau was founded, among the purposes assigned to it by the Governments of the member countries was that of giving all the help it could, and the benefit of its experience, with a view to obtaining the best possible protection for the public health of the various countries, and thus eliminate disease and facilitate international commerce.

In the second half of the previous century international sanitary meetings had already been held, essentially to study the difficulties created for international trade by contagious

/epidemic diseases.

epidemic diseases. In face of this problem, the potential incidence of the health factor on national economies was then recognized, and it was thus that the first stirrings of concern were felt and a first approach was made to the gradual understanding of the problem.

The same thing happens, if I may be allowed to make the comparison, in the bosom of a family, when a case of sickness proves prejudicial to its economic situation, and only the existence of the fait accompli arouses anxiety.

Cannot the problem be foreseen, and forestalled at a much lower cost, whether in the case of a family, a community, a nation, or a continent?

It is common knowledge that countries whose sanitary level is high are those which are most advanced from the economic and social standpoint, but we may venture to assert that their progress in the field of sanitation and education has kept parallel to or followed upon the development of their economy, and has been fostered by favourable environmental conditions.

Pursuing the previous example, the same thing has happened and still happens in a houshold whose first and foremost aim has been and is that of ensuring its economic security, leaving until later the education of the children and the health precautions inculcated by such education.

This, gentlemen, is one of the ways of reaching that level of health which enables a people to attain the highest pitch of hard-working efficiency and the consequent physical and spiritual

/well-being, but

well-being, but at the cost of along period of sacrifices and temporary set-backs, all in relation to the environmental conditions in which it has been its lot to develop.

The other method, more rational and more in accordance with modern knowledge and techniques, would be to ensure beforehand the level of health and education which permits the development of a healthy and vigorous people, the primary requisite on which any type of economy that may be programmed must be based.

As usually happens, private enterprise, in this respect as in others, has forged ahead of State initiative, and it can already be frequently observed that private companies, before embarking upon their activities, ensure that work will be carried out in a healthy environment, and provide for sanitary inspection not only of all their personnel but of these latters' households, a precaution which they know from experience to be an excellent investment.

Since it began its work in 1902, the Pan American Sanitary Bureau as such, and later in its capacity as Regional Office of the World Health Organization for the Americas, has gradually been attaining the objectives originally mapped out and those later established by the World Organization.

In the Latin American countries a number of programmes have been developed or are being implemented through the Governments concerned, the aim being to solve the most urgent health problems of their peoples. The concepts of mutual assistance implied by the basic principles of the Organization

/have not

have not merely been reflected in the technical assistance rendered in the execution of the governmental programmes. In compliance with instructions received, the programming, initiation and development of programmes of regional scope have been undertaken, in an endeavour to eliminate diseases such as malaria, which ravage vast areas of Latin American territory and prevent the economies of the countries concerned from reaping the benefit of extensive zones with a vast economic potential. Human effort to extract this wealth for the advantage of the national economy is severely restricted by the existence of the endemic disease in question, which can and must be definitely eradicated.

Such areas, neither seldom nor by chance, coincide in the main with those that are in darkness, to use the graphic term employed by the President of Bolivia, Dr. Hernan Siles Zuazo, when he referred in his magnificent address to the unequal economic development characterizing the Latin American countries.

For the sake of greater vividness, and to illustrate what this problem may involve for a country's economy, I will cite the fact that in the eastern region of Bolivia, an area of vast potential wealth, the number of malaria patients registered in the five-year period 1950-54 amounted to 73,789, which in economic terms implied the loss of 8,928,469 man/days of work. In terms of wage costs, this meant that the national economy was deprived of the sum of 33,928,000 Bolivianos.

The total investment needed to wipe out malaria in Bolivia that is, to solve the problem once and for all, is estimated at

/only 24,998,000

only 24,998,000 Bolivianos. In other words, gentlemen, a sum 9 million Bolivianos less than the amount of the loss suffered in five years will finally and definitely restore to the Bolivian economy a vast and opulent area of the country.

This action is now virtually under way. The evaluation of the problem is being completed and every confidence is felt that the Government of this country, in co-ordination with other specialized agencies of the United Nations and with efforts deriving from bilateral agreements, will able to begin the task of eliminating malaria in the course of next year.

The neighbouring countries are engaged in the same endeavour and other Latin American countries have reached more advanced stages.

Barely 30 years ago, estimated losses through malaria in the south-east of the United States amounted to over 500 million dollars yearly. Today, in the States in question, where this endemic disease has been entirely eradicated, industry has developed to a remarkable extent, and its expansion is continuing

No less dramatic developments have taken place in Venezuela and in other parts of the world such as Greece, Burma and Pakistan.

The special features of the endemic disease with which we are concerned, and which affects almost all the Latin American countries, call for a short-term, simultaneous and co-ordinated campaign. Hence the responsibility incumbent upon the organization which I represent, to recall at this ECLA session the

/express recommendation

express redommendation of the XIV Pan American Sanitary Conference held in Santiago in 1954. The pertinent resolution urged the States Members, for technical steps to eradicate malaria at the earliest possible opportunity. Such is the motive which has prompted me to lay emphasis on this particular problem.

The constructive work of developing and re-inforcing the National Public Health Services of the Latin American countries has been intensive and in many cases fruitful. Stress has been laid on the basic trilogy composed by educational and training facilities, public health administration and the control of infectious diseases. Seminars and special training courses have been organized, fellowships have been granted and schools have been helped to broaden their study programmes. The aim of all these measures has been to assist the countries concerned to solve the problems arising from a shortage of trained personnel.

Problems in the field of nutrition, which have such seriou repercussions on the productive capacity of the peoples, have received the attention they deserve from WHO and the Bureau. A joint effort on their part, carried out with the co-operation o the six Central American Republics, has taken concrete shape in the creation of the Instituto de la Nutrición de Centro América y Panamá, which is doing successful work.

It would take too long to ennumerate all the activities in which we are engaged and the programmes carried out, but, by

/way of

way of conclusion, I should like to point out what might be called the primary intention of this report, which is to remind the Chairman of this assembly and of the distinguished delegations present of the incontrovertible principle that every economy programmed must be based on the existence of healthy and vigorous peoples, capable of putting the programme into effect, of building up their own material and spiritual happiness, and thus of fulfilling the aims which inspired the creation of the United Nations Organization and its specialized agencies.

I wish every success to the discussions of this seventh session of the Economic Commission for Latin America.

Information document No. 31

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. TOMMASO MANCINI, OBSERVER FOR ITALY, AT THE FIFTH PLENARY MEETING ON 18 MAY 1957

It is a particular pleasure and honour for me to have this opportunity of expressing on behalf of the Government of Italy its sincere appreciation of ECLA's complex activities in aid of progress and economic development in a region with which my country is closely associated by every kind of motive and tie.

First and foremost I should like to offer my hearty congratulations to the ECLA secretariat and to its illustrious leader, Dr. Raul Prebisch, whose tireless inspiration and lofty guidance ensures the fulfilment of ECLA's increasing work-load, to which its many recent publications bear valuable witness. Among these I must in all fairness mention the Economic development of Bolivia, which is of incalculably far-reaching importance for those of us who, on account of the capacity in which we serve, closely follow the course of the vicissitudes suffered by this noble country and of the strennuous efforts that Bolivia is making, under the wise and far-sighted direction of its Government, to reach a higher standard of development in relation to the other countries of the region.

I feel it is more than superfluous, Mr. President, to stress the motives which lead us to regard this region with feelings of affection and friendship. Without looking back so far as to the incorporation of Latin America in our civilization, linked in

/history with

history with the names of the great navigators, it is enough to recall the millions of energetic workers, technicians, professional men and entrepreneurs who in little more than a century and a half have contributed to the development of its economies and its progress in every field. Of this flow of valuable human resources, which has, moreover, been renewed after the severe ordeals which Italy has endured during the last fifteen years and to which elements of higher technical and financial standing have been added, some six million representatives are living and working at the present time in the fertile territories of Latin America and are in themselves the best and highest pledge of our ties with the continent whose hospitality we enjoy.

All this, Mr. President, constitutes a broad basis on which an active trade with all the Latin American countries has long been gradually developing. Its aggregate volume accounts for a high percentage of our total foreign trade, and in not a few instances a permanent debit balance is registered against Italy, on account of its intensive utilization of Latin American sources of raw materials - both food-stuffs and industrial commodities -, which it considers more advantageous and abundant than others, and in many cases more accessible for technical reasons such as the question of freight.

It was impossible, therefore, that some surprise should not be felt in our circles at a certain anxiety which was noted in almost all the Latin American countries on account of the understanding reached not long ago by six European countries. Already closely associated as regards the production of two basic elements of our industrial civilization - coal and steel -, they have

/agreed, after

agreed, after long reflection and discussion, to create a new entity, for the purpose of integrating their economies through a comprehensive and carefully-considered system designed to promote the gradual elimination of reciprocal customs dutie. Their ultimate aim is to establish within a period originally visualized as twelve years, but which may rise to fifteen, a common market within their frontiers.

It should be added that the anxiety referred to does not relate primarily to the consequences of this supremely important event. Rather is it to be expected that keener competition between the industries of the six countries will bring down the prices of products exportable to third countries, including those of Latin America, and will therefore probably entail an improvement in their terms of trade. The chief cause of apprehension is the incorporation into the European common market of overseas - particularly African - territories which produce some of the principal commodities at present traditionally supplied by Latin America to the industrial countries of Europe.

It is not easy to understand fully certain hasty judgements and the assumption that all this will have unfavourable effects on the economies of the Latin American countries concerned. I think that in fact there is perhaps some tendency to over-estimate the potentialities of the continent of Africa as a future supplier of Europe; many of the commodities involved are offered by Latin America under conditions that can hardly be improved upon. There may also be exaggerated apprehension lest, in certain branches, future investment destroy the results of whole decades of large

capital contributions to the utilization of the resources - for example, those of mining origin - of this part of the world. This would perhaps imply losing sight of the close bonds and mutual interests of the large enterprises, as well as of the need for new capital to be applied in different geographical sectors with due regard to the current situation, so that such investment may not be a contributary cause of inestimably serious difficulties in the production of the more essential raw materials.

Apart from these personal views, I should like to call particular attention to the extreme care with which, as the eminent representative of France, Mr. Buron, stated on behalf of all the six countries concerned, the signatories of the Rome Treaty, concluded on 25 March last, watched over the interests of other countries by leaving the way open, under the relevant clause in the General Agreement on Tariffs and Trade, for the solution of the resultant problems of various kinds. This will guarantee an equitable reconciliation of the interests in play, without its implying the checking or deflecting of trends whose sound basis cannot be denied by the impartial observer, as has been recognized by almost all the experts taking part in this discussion, beginning with the distinguished Executive Secretary of ECLA.

In bringing these remarks to a close, I should like to give an assurance, Mr. President, that Italy for its part, while complying with its new duties towards the European union, is resolutely determined to maintain, to the best of its ability, the flow of investment which in the course of the last ten years has led to achievements of unquestionable scope and importance in the

Latin American countries from Mexico to Argentina, from Peru to Venezuela and from Brazil to Chile. In many cases such investment has operated in association with local capital; and the contribution it represents can be calculated at hundreds of millions of dollars. Any other line of conduct would mean wasting the results of an enlightened policy which my Government is firmly resolved to pursue.

It is equally our intention to second the proposals of the Governments and supply the want of regional enterprises, by placing at the service of Latin America's development, within the possibilities resulting from recent Italian legislation on credit for exp rts and the pertinent insurance, every type of capital goods, industrial equipment and means of transport. We are fully aware of the future that awaits this region, and we shall continue to utilize its valuable raw materials for the development of our industrial possibilities and the improvement of the standard of living of our people.

Mr. President, gentlemen: in expressing my gratitude for the kindness with which this assembly has listened to my words, and making the best contribution I can in the shape of background information for the subsequent discussion of the problems raised, I have great pleasure meanwhile in offering my sincerest good wishes for the resounding success of the present session of this Commission, which in Italy too is warmly admired for the great work which it has been systematically undertaking to make Latin America's prospects of material and human progress a splendid reality.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. JOSE MARIA ALFARO POLANCO, OBSERVER FOR SPAIN, AT THE FIFTH PELNARY MEETING, 18 MAY 1957

Two years ago I was present at the sixth session in Bogota, and I now have the great pleasure to be here in La Paz.

The convening of the session in this city has great significance, because the economic stabilization programme of Bolivia, which is so kindly acting as our host, has been the subject of much comment in the international press. Publicly, in the name of Spain, I wish to pay a tribute to the tenacity, intelligence and spirit of sacrifice with which the Government is combating a very grave inflationary situation which was threatening to undermine the whole of the country's economic system.

Because of the similarity of the problems of Latin America and those of Spain, I believe that a brief analysis of my country's current economic situation would be of interest.

In 1956, Spain's economy showed the same general trends as were to be seen in many other countries: higher production figures, rising prices and expansion of the means of payment. The increase in the national income continued during the period, being estimated at 6.2 per cent in real terms. A study of the post-war years shows that since 1945 the annual rate of growth per capita national income has been 5.4 per cent, a notable figure, whose maintenance will require cautious and well-planned investments.

/If the

If the various resources are examined separately, agriculture as a whole shows only slight progress, because of the frost-damage to crops during the winter of 1956. Larger harvests than in 1951-56 were obtained in the case of wheat, rice, wine, and cotton, and smaller in that of fodder crops, edible oils, sugar-beet and citrous fruits. Whilst figures for cotton were 45 per cent higher than in the previous year, those for citrous fruits were two-thirds lower.

Our agricultural programme is based on three main points, as follows: small-scale farming on a community basis - a point already mentioned by the FAO representative - to rationalize crops and increase exports; irrigation of dry-farming areas, and reafforestation. Considerable progress has been made, and the increased application of mineral fertilizers and the mechanization of farming will decisively influence general yields.

Finally, under this same head, two socio-agrarian programmes - those of Badajoz and Jaen - should be mentioned, since they may alter the characteristics of the provinces whose names they bear. The former is a project for the settlement of 115,000 hectares on the banks of the river Guadiana, and comprises the construction of more than 300 kilometres of canals, utilization of hydro-electric resources, industrial installations, transport facilities, etc.; the second has the same objectives, but places greater emphasis on forestry and the development of new industries.

Spain's industrial production has made great progress in

/recent years

recent years. During 1956 an increment of 8.2 per cent was registered, and the cumulative annual rate of growth in the last 10 years has been 7.3 per cent. The increasing share of the industrial factor in production is changing the appearance of the economy of the country as a whole. Previously, this latter depended almost entirely upon agricultural production, whereas in the years 1952-1955 there were increases in per capita real income, in spite of poor harvests. I do not mean to imply that agriculture has lost its importance, but rather that the country's over-all trend is towards a more balanced economy, thus cushioning the hard and unpredictable blows dealt by nature.

Great strides have been made in the production of primary commodities such as coal, electric energy, steel and cement, especially the last three. There are plans for a considerable expansion of the iron and steel industry which will, within two years, double the present production of 1,250,000 tons. Ship-building and housing programmes are closely linked to the development of this industry.

The metallurgical and transforming industries are the most important in the country, although that of chemicals has attained the highest level of capital formation. There is a growing output of automobiles, lorries and tractors, and outstanding industries in the chemical field are those of plastics, fertilizers and artificial fibres.

One factor which has had undoubted repercussions on Spain's economic stability of late was the appreciable increase in the cost-of-living index in 1956. Two causes contributed

to the accentuation of this inflationary trend, namely, the over-all wage increases in April and November, and the frosts in February, which inflicted serious damage on crops.

This latter point is closely connected with the monetary problem. During 1950-1953 the annual increase in the means of payment was lower than that of prices; as from the latter year the imbalance was in favour of the former. All the efforts of the Governments' monetary policy are now directed towards restoring this essential equilibrium.

The far-reaching industrial and agricultural programmes have set the pace for investment, which in 1955 amounted to 16.7 per cent of the national income. It is calculated that the figure for 1956 has declined slightly, but it is still much higher that what can be considered a normal increase in savings. These heavy investments constitute an obvious inflationary force, which must be reduced to more equitable and wholesome proportions.

Since 1952, the national budget has shown a surplus. In 1956, as a result of the wage adjustments, which also affected salaries in the public sector, the first deficit occurred, but it was barely 1 per cent of the total.

A brief comment on Spain's foreign trade will complete this report. Total trade in 1956 was valued at some 1,150 million dollars; it is immediately patent that this is a small sum in relation to national income. The trade balance has often been adverse, especially since the United States programmes of aid to Spain were initiated in 1953-1954. This disequilibrium

/is offset

is offset in the balance of payments by counter balancing funds in national currency, income from the tourist industry and other transfers. Spain, like many Latin American countries, is affected by deteriorations in the terms of trade, and must therefore make a great effort to raise productivity in order to remedy this situation. The total volume of trade was 9,200,000 tons, almost 11 per cent larger than in 1955; 4.2 million tons were represented by imports and 5 million by exports.

Measures have recently been adopted which, as in other countries, have as their aim the simplification of foreign trade. These measures seek to modify the system of multiple exchange rates in operation for both imports and exports; to bring quotations as close as possible to real world market prices; and to depend more on tariff policy than on the quota and permit system.

Exchange policy is a delicate matter for those countries whose productivity in certain sectors is only moderate, because if they do not encourage exports of specific articles, they will never attain the sales volume which is a pre-requisite for competitive costs. If only those natural products which can easily defend their world market position are exported, the countries in question are subjected to sharp fluctuations entirely beyond their control, and to the adverse therms-of-trade effect I mentioned earlier. These reasons more than justify the need for sober reflection before they embark too hastily upon a process of liberalization which may be to the detriment of their own interests.

/The agreements

The agreements on a common market in which six European countries are associated have just been signed. Little can be added on this subject to the brilliant ECLA report. In spite of the reassurances given at this session, there is an atmosphere of apprehension as to the effects of the common market. Spain has followed its constitution and development with considerable interest. Perhaps my country would be inclined rather to support the expedient of a free trade zone, a less ambitious but more flexible project, which would lead to the gradual elimination of customs tariffs and import restrictions, without such complete integration.

Profund uneasiness undoubtedly exists in Spanish industrial circles as to the possible repercussions of the common market, and they are wondering whether their production will be able to face competition from the high-output countries; on the other hand, were a broader market for agricultural products established, it would be very favourable to some of our domestic sectors. There are also complex monetary problems to be solved, for both the common market and the free trade zone. It must be remembered that the grouping of markets is not feasible so long as prices are not equalized by the adjustment of exchange rates to purchasing power.

In these few words I have attempted to trace for the delegations the main features of Spain's economy, and the special analogy it presents to the problems which ECLA is studying. At the same time, both my Government and economic circles in my country are particularly interested in the

programmes formulated by the countries of this region, and in profiting by their valuable experience. In this connexion, Dr. Prebisch and the ECLA secretariat are undertaking research and dissemination activities which deserve the highest praise.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh session
La Paz, Bolivia, 15 May 1957

TEXT TRANSMITTED BY MR. RAMON SALINAS MARIACA, ON BEHALF OF THE WORLD ALLIANCE OF YOUNG MEN'S CHRISTIAN ASSOCIATIONS

One of the non-governmental organizations represented at the ECLA session in La Paz, Bolivia, is the World Alliance of Young Men's Christian Associations, whose headquarters is at Geneva.

This international organization, which is closely connected with the economic development of all the nations of the world where it has established the Young Men's Christian Associations, and men's "Y" clubs, feels that Latin America's economic problems are its own, and hopes to see them solved in the best possible manner, with the assistance of the economists and technicians of ECLA.

You may ask why this organization should interest itself in the economic processes of the Latin American countries. The answer is simply because it lives and depends upon the greater or lesser development, and the growth of these processes.

The various Young Men's Christian Associations, scattered throughout many cities in most of the Latin American countries, depend very heavily on the effective support of trade, industry and agriculture in order to subsist and carry out the aid programmes for the youths and young men who come to our premises in search of material and spiritual assitance. Our professional secretaries and experts are interchanged between

/countries every

countries every year and organize what we call "Financial Campaigns", visiting the managers and leaders of trade, industry and agriculture to show them the work done during the previous year, and to request financial aid for the next, for the good and guidance of youth,

It is these secretaries who, visiting the economic sector, which to us is the businessman, the industrialist and the farmer, are the thermometers which tell us what is going to happen, or what is happening, in the economies of the various countries, both in our own and in other continents. Through these financial campaigns we learn what is happening in trade, industry and agriculture, since in the majority of cases these contributors, either to excuse rather low subscription, or merely to be informative, tell us about their problems, difficulties and even their plans.

During recent years we have been noticing that the factors causing the greatest anxiety are the limitation of the market for industrialists, customs tariff increases for traders and international competition for the farmers. But in a more general way we have seen that all the leaders of trade, industry and agriculture in the Latin American countries where we have establishments, display anxiety and a feeling of unsecurity, due to monetary inflation and an earnest desire to stabilize their currency.

Competition, reduction of markets, and high tariff rates within the economic pattern of the Latin American countries,

/together with

together with rapidly rising wages are natural phenomena, as natural as the desire of each country to seek self-sufficiency.

These phenomena which accompany economic inflation are uncontrolled, and the consequent monetary devaluation directly harms associations such as ours and others, which depend on the contributions of trade and industry.

Our youth aid programmes are hampered; ambitious teen-agers become discouraged because they do not yet understand the effect of economic phenomena on everyday life; and our material and spiritual work is doubled, trebled or more.

In our organizations we have seen thousands of young men of excellent and even extraordinary capabilities obliged by circumstances to abandon their studies, to leave the universities and technical schools - and where do they go? To private or State offices, where they become employees with usually neither the time nor the means to enter a profession or to raise their intellectual level. Thus a technician or a professional who might otherwise have made some contribution to struggle for progress is lost.

The men of today, those constituting ECLA economists, technicians, representatives, gathered around this international table, must see who is to come after them - time is passing, and soon they will need to be replaced, but by whom? Have we considered whether the youths who fill our universities and technical schools are being sufficiently trained to understand the problems of our peoples, to gain sufficient experience to carry on our work?

/The United

The United Nations has placed special emphasis on child welfare, cultural assistance, economic assistance to under-developed countries, but effective aid to the teen-agers who fill the classrooms of the higher courses of schools and colleges, and who go to the universities and technical schools, has always been left to the private initiative of organizations such as the Young Men's Christian Association and other meritorious local, international, religious, lay or philanthropic societies, which try to guide these young men, providing them with the means to continue their studies, to encourage them, and especially to develop that desire which exists in every youth to be something in life.

The World Alliance of Young Men's Christian Associations, better known in the United States and the United Kingdom as the YMCA, in sending a representative to these ECLA meetings, does not do so for any reason of propaganda, religion or other, but only to give support to these economists and technicians, who seek to show to the nations of our continent that it is their duty to organize trade, industry and agriculture within a common development plan, reducing the cost of raw materials extending and ensuring industrial development and organizing its output, collaborating with the Governments, giving advice and material assistance to avoid inflation and disaster, factors which have a direct effect on the training of the men of tomorrow, who will occupy our places and discuss similar problems.

/In the

In the economy of the peoples, we can see today how good-will and firm resolve are invaluable in overcoming the negative factors which compel the Latin American peoples to struggle to free themselves of their economic penury.

Fortunately, judging from what has been done so far at this ECLA session, both by the representatives and the secretariat, we feel that there is a desire to solve these problems of each of the Latin American countries, and we see a ray of hope; we are sure that the recommendations made here will effectively reassure trade and industry and will encourage the progress of each of the nations of the continent which falls within the ambit of ECLA.

I am especially authorized, Mr. Chairman, by the Chairman of the World Alliance, Mr. Charles D. Sherman, and by the General Secretary, Mr. Paul M. Limbert, to convey their greetings and acknowledgements to the authorities of this beautiful country, which welcomes us to the highest capital in the world, bringing us nearer to our God.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh session
La Paz, Bolivia, 15 May 1957

RESOLUTIONS OF THE GENERAL ASSEMBLY AND THE ECONOMIC AND SOCIAL COUNCIL OF CONCERN TO THE COMMISSION

I. Resolutions adopted by the General Assembly

1025 (XI): International co-operation in the establishment of national food reserves (656th plenary meeting, 20 February 1957)

The General Assembly,

Having in mind the desirability of achieving the objectives set forth in its resolution 827 (IX) of 14 December 1954,

Considering that one of these objectives is the possible use of food reserves for relieving famine and other emergency situations,

Considering further that many countries may need to establish or increase national reserves for this purpose, and recognizing that many countries which are in the early stages of economic development are faced with special difficulties in establishing adequate reserves, such as the fact that levels of consumption in the less developed countries are generally relatively low,

Noting that Economic and Social Council resolution 621 (XXII) of 6 August 1956 requests the Secretary-General, in consultation with the Food and Agriculture Organization of the United Nations, to report to the Council at its twenty-fourth session, inter alia, on the feasability, and, if feasible, the

/manner, of

manner, of using food reserves for meeting unforeseeable food shortages,

Noting further that the Food and Agriculture Organization is engaged at the present time in a special study of the question of the establishment of national reserves against emergencies,

1. Requests the Secretary-General, in preparing his report pursuant to Economic and Social Council resolution 621 (XXII), to include, on the basis of his consultations with the Food and Agriculture Organization of the United Nations, an analysis of the possibilities and desirability of promoting, by means of consultations between importing and exporting Member States, the use of surplus foodstuffs in building up national reserves to be used in accordance with internationally agreed principles:

(a) To meet emergency situations;

(b) To prevent excessive price increases arising as a result of a failure in local food supplies;

(c) To prevent excessive price increases resulting from increased demand due to economic development programmes, thus facilitating the economic development of less developed countries;

2. Further requests the Secretary-General, in his analysis of the possibilities and desirability of the use of surplus foodstuffs for the above purpose, to examine whether such use may lead to displacement of markets for those commodities and what effects it may have on the economic and financial position of those countries which depend primarily on the export of similar commodities;

/3. Requests the

3. Requests the Economic and Social Council to consider the possibility of postponing until its twenty-fifth session its examination of the report of the Secretary-General, in order to be in a position to take fully into account the discussions and the expert technical studies being undertaken by the Food and Agricultural Organization concerning the establishment of national food reserves;

4. Invites both importing and exporting Member States to continue to consult, through the appropriate bodies established by the Food and Agricultural Organization, with a view to facilitating the establishment of national food reserves, with due regard for the principles of surplus disposal recommended by the Food and Agriculture Organization, particularly the need to avoid harmful interference with normal patterns of production and international trade and to ensure that the use of surplus reserves will result in genuine additional consumption as defined in the principles of the Food and Agriculture Organization.

1026 (XI): Establishment of a world food reserve (656th plenary meeting, 20 February 1957)

The General Assembly,

Having in mind the desirability of achieving the objectives set forth in General Assembly resolution 827 (IX) of 14 December 1954 and Economic and Social Council resolution 621 (XXII) of 6 August 1956,

Requests the Secretary-General, in consulation with the Food and Agriculture Organization of the United Nations and

/other agencies,

other agencies, to explore the desirability of setting up a working group to examine the practical possibilities of implementing the various proposals made in the report of the Food and Agriculture Organization, as well as the various suggestions made at the twenty-second session of the Economic and Social Council and at the eleventh session of the General Assembly, and to report to the Council not later than at its twenty-fourth session for appropriate action.

1027 (XI): Development of international economic co-operation and the expansion of international trade (656th plenary meeting, 20 February 1957)

The General Assembly,

Noting the growth in world production and trade since the Second World War,

Recognizing the need for continued efforts to reduce or remove obstacles to international trade and to promote its expansion on a multilateral basis,

Considering that the further development of mutually beneficial international economic co-operation, and particularly a continued expansion of international trade, would contribute to the expansion of the economies of all countries,

Considering in particular that a high and stable level of international trade is indispensable to the economic development of the less developed countries, and especially to those countries which depend for their foreign exchange earning largely on the export of one commodity or a few commodities,

Recognizing that existing international bodies and agreements

/concerned with

concerned with international trade provide a framework for the effective consideration of trade problems, payments arrangements and related economic problems of mutual interest, and are doing valuable work in this field,

Recognizing further the desirability of avoiding the waste of resources and the weakening of existing organizations in the field of international trade through the duplication of their functions and activities,

1. Urges the Governments of Member States to continue their efforts to reduce existing barriers to international trade in a mutually satisfactory manner for the purpose of expanding such trade at the fastest feasible rate and, in particular:

(a) To continue to work toward this objective through the international organizations which are working successfully for the expansion of world trade, and to continue to avail themselves of services offered in the field of trade by these organizations;

(b) To reduce or remove restrictions and/or discrimination with regard to trade and payments as soon as their balance of payments and reserve positions permit, having due regard to the special problems arising from the economic development needs of the less developed countries;

(c) To conduct their trade policies with due regard to their possible harmful effects on the economies of other countries, especially countries which are dependent on exports of relatively few commodities;

(d) To follow internal economic, monetary and fiscal policies

/which promote

which promote high levels of production, employment and investment, keeping in mind the relationship between such internal policies and the possibilities of expanding world trade;

2. Endorses Economic and Social Council resolution 614 (XXII) of 9 August 1956 and requests the Council to continue to give particular attention to developments in the field of international trade;

3. Looks forward with interest to the establishment of the Organization for Trade Cooperation and urges States Members of the United Nations and members of the specialized agencies to act with a view to approving the agreement establishing the Organization for Trade Cooperation.

1028 (XI): Land-locked countries and the expansion of international trade (656th plenary meeting, 20 February 1957)

The General Assembly,

Recognizing the need of land-locked States for adequate transit facilities in promoting international trade,

Invites the Governments of Member States to give full recognition to the needs of land-locked Members in the matter of transit trade and, therefore, to accord them adequate facilities in terms of international law and practice in this regard bearing in mind the future requirements resulting from the economic development of the land-locked countries.

1029 (XI): International Commodity Problems (656th plenary meeting, 20 February 1957)

The General Assembly,

Noting that the World Economic Survey 1955 again stressed the importance, both for world economic stability and for the

/economic development

economic development of under-developed countries, of the problems arising in international commodity trade,

Considering the need to promote adequate consideration of these problems through research and international consultation,

1. Draws the attention of the Governments of Member States to the opportunity that exists, under paragraph 3 of Economic and Social Council resolution 557 F (XVIII) of 5 August 1954, for them to bring commodity problems to the attention of the Commission on International Commodity Trade;

2. Notes Economic and Social Council resolution 620 (XXII) of 9 August 1956;

3. Requests the Economic and Social Council to invite the Commission on International Commodity Trade to give special consideration, within its present programme of work - bearing in mind the relevant parts of the introductory statement of the Secretary-General at the twenty-second session of the Council and the debates in the Second Committee at the eleventh session of the General Assembly - to the importance of present international commodity problems in relation to world economic stability;

4. Requests the Secretary-General to continue to give his full assistance, within the limit of available resources, to the work of the Commission on International Commodity Trade, and in particular, to the preparation of studies suggested by it.

1033 (XI): Industrialization of under-developed countries
(661st plenary meeting, 26 February 1957)

A

The General Assembly,

Recognizing that industrialization is essential to the economic development of under-developed countries,

Recalling its resolutions 521 (VI) and 522 (VI) of 12 January 1952,

Noting the activities undertaken, mainly pursuant to those resolutions, by the Economic and Social Council, the Secretary-General and the regional economic commissions, especially the Council's resolutions on industrialization and productivity, the relevant programme approved by the Council, the study prepared by the Secretary-General entitled Processes and Problems of Industrialization in Under-Developed Countries and the special studies made by the regional economic commissions,

Noting the work accomplished in this field by the specialized agencies,

Having regard, first, to the positive interest which under-developed countries have shown in stimulating their industrialization in order to ensure the sound and balanced growth of their economies, and secondly, to the clearly expressed willingness of industrialized countries to co-operate to this end,

1. Expresses its satisfaction at the work done by the Economic and Social Council, the Secretary-General, the regional economic commissions and the specialized agencies in connexion with problems of industrialization and productivity, and urges

/them to

urges them to continue to give priority to these questions;

2. Invites Member States to give close attention to the studies which have been and are being made by the United Nations and the specialized agencies in connexion with industrialization and productivity and, in particular, invites the Governments of countries in process of development to make such use as they deem desirable for the benefit of their countries of the conclusions embodied in and guidance provided by those studies.

B

The General Assembly,

Bearing in mind the importance of rapid industrialization in the less developed countries as a significant factor in the balanced development of their economies,

Recognizing the need for suitable organizational arrangements in the United Nations under the Economic and Social Council to deal with matters relating to industrialization and productivity,

Noting the steps taken by the Economic and Social Council in its resolutions 597 A (XXI) of 4 May 1956 and 618 (XXII) of 6 August 1956,

Believing that the question of machinery for this purpose should be kept under continuous review in the light of the development of the programme of work in this field by the United Nations,

1. Endorses Economic and Social Council resolution 597 A (XXI) of 4 May 1956 which, inter alia, reaffirms the special responsibilities of the Council for the promotion and

/co-ordination of

co-ordination of activities in the field of accelerated industrialization and productivity of less developed countries as an essential element of balanced development programmes;

2. Requests the Secretary-General, in the implementation of the programme of work on industrialization and productivity, to give due regard to the various suggestions made at the twenty-second session of the Economic and Social Council and the eleventh session of the General Assembly and to the directives and principles set forth in the relevant resolutions of the Assembly and of the Council;

3. Requests the Secretary-General, in pursuance of Economic and Social Council resolution 618 (XXII) of 6 August 1956, to report to the Council at its twenty-fifth session on such possible forms of organizational and administrative machinery as may be necessary.

II. Resolutions adopted by the Economic and Social Council during its twenty-first and twenty-second sessions

597 (XXI): Economic development of underdeveloped countries (925th plenary meeting, 4 May 1956)

A

INDUSTRIALIZATION

The Economic and Social Council

Having in mind the general principles and recommendations laid down in General Assembly resolutions 521 (VI) and 522 (VI) of 12 January 1952, and Council resolutions 416 F (XIV) of 11 July 1952, 461 (XV) of 23 April 1953, 532 C (XVIII) of 5 August 1954 and 560 (XIX) of 7 April 1955, and reaffirming the special responsibilities of the Council for the promotion and co-ordination of activities in the field of accelerated industrialization and productivity of less developed countries as an essential element of balanced development programmes,

Having made an examination of the reports entitled "Survey of current work on industrialization and productivity" and "Proposals for a programme of work on industrialization and productivity", submitted by the Secretary-General pursuant to Council resolution 560 (XIX).

Recognizing the useful work on industrialization and productivity currently being undertaken by the United Nations,

/including the

including the regional economic commissions, and by the specialized agencies,

Considering that future work in the field of industrialization should be carried out for practical purposes and in response to the wishes of the less developed countries,

Recognizing the need for suitable organizational arrangements in the United Nations under the Council to deal with matters relating to industrialization and productivity,

1. Expresses its appreciation to the Secretary-General for the informative and constructive documents presented to the Council;

2. Endorses in principle the proposals for work outlined in the report entitled "Proposals for a programme of work on industrialization and productivity" as a general framework for appropriate activities of the United Nations to be initiated in this field in the immediate future;

3. Recommends the Secretary-General to give due consideration, in implementing the programme, to the discussion held at the twenty-first session of the Council, including suggestions, made by members of the Council, for activities to be undertaken;

4. Suggests that the Secretary-General initiate work, within available resources, bearing in mind the wishes of less developed countries, the useful work done by the regional economic commissions and the necessity of avoiding duplication with the specialized agencies;

/5. Requests

5. Requests the Secretary-General, with a view to developing an integrated and co-ordinated programme of work of the United Nations, designed to accelerate the industrialization and to raise the productivity of less developed countries:

(a) To submit for the consideration of the Council at its twenty-second session, with due regard to existing organizations in this field, his views on the most suitable organizational arrangements for carrying out the aforementioned programme;

(b) To consult, through the Administrative Committee on Co-ordination or such other channels as may be available, with the appropriate specialized agencies on the planning and implementation of the aforementioned programme of continuing work;

6. Requests the Secretary-General to report to the twenty-second session of the Council on the financial implications of the programme of activities being evolved, and to the twenty-third session and annually thereafter on the progress being made in planning and implementing the continuing work in the field of industrialization and productivity;

7. Invites Governments, in considering instructions to their delegations to meetings of the specialized agencies and the regional economic commissions, to keep in mind the desirability of and the benefits to be obtained from an integrated and co-ordinated approach in the field of industrialization and productivity;

8. Requests the regional economic commissions, in order

to achieve a co-ordinated approach in the work in this field, to take due account, in planning and formulating their future activities, of the work programme in the field of industrialization and productivity;

9. Requests the Secretary-General, in planning the work to be undertaken pursuant to this resolution, to pay particular attention to the needs of the Middle East and Africa;

10. Proposes, pursuant to General Assembly resolution 521 (VI), sub-paragraph (b), and Council resolution 560 (XIX), to place on the agenda of the eleventh session of the General Assembly an item entitled "Industrialization of under-developed countries".

B

STUDIES ON ATOMIC ENERGY AS A FACTOR IN ECONOMIC DEVELOPMENT

The Economic and Social Council,

Considering its responsibilities under Article 62 of the Charter,

Recognizing that, actual and potential developments in the field of atomic energy may have profound implications in the economic sphere, particularly affecting the economic development of less developed countries,

Taking into account the complexity of the subject, the diversity of studies already made or in process under various auspices, and the need for further information on which to determine its future actions in this important field,

1. Requests the Secretary-General, in co-operation with the specialized agencies concerned, to prepare for submission

/to the

to the twenty-fourth session of the Council a report on possible applications of atomic energy, especially in the fields of power, industry and agriculture;

2. Recommends the Secretary-General, in preparing the report, to survey the available studies and the research being undertaken in this field, and to give due consideration to the materials submitted to the International Conference on the Peaceful Uses of Atomic Energy, and the views expressed during the twenty-first session of the Council;

3. Invites States Members of the United Nations or members of the specialized agencies to make available to the Secretary-General, for the purpose of his report, such documentation bearing on the subject as they may be able to provide.

4. Requests the Secretary-General, after consultation with the Advisory Committee referred to in General Assembly resolution 912 (X) of 3 December 1955 and the competent specialized agencies, to submit to the Council at its twenty-fourth session a report on the possibility of devoting as much as possible of the programme of the second international conference on the exchange of technical information regarding the peaceful uses of atomic energy to the practical applications of nuclear energy in the interest of promoting the economic development of under-developed countries and the desirability of convening a separate conference on this subject;

5. Transmits to the Advisory Committee the records of the discussion of the Council on this item;

/6. Decides

6. Decides to place the subject of atomic energy as a means of economic development on the agenda of the twenty-fourth session of the Council for further consideration.

598 (XXI): Studies of new sources of energy other than the atom as a factor in economic development (925th. plenary meeting, 4 May 1956)

The Economic and Social Council,

Bearing in mind its responsibilities as defined in Article 62 of the Charter,

Considering that, in view of the growth of the world population, economic development and the rise in the standard of living, the resources of energy must be constantly increased, especially in the less developed countries,

Considering the work done by the United Nations and the specialized agencies both on the so-called conventional sources of energy and on atomic energy,

Considering that the United Nations should display the same interest in all new sources of energy in order to encourage their theoretical study and practical applications,

1. Requests the Secretary-General, in consultation with the specialized agencies concerned:

(a) To prepare for submission to the Council at its twenty-fourth session, taking into account the present state and foreseeable development of knowledge in the various branches in question, a report on the prospects for the practial utilization of such sources of energy as solar energy, wind energy, tidal energy, geothermic energy and the thermal energy

of the seas;

(b) To compile, in preparing the report, a concise bibliography of current studies and researches;

(c) To consult, for that purpose, Governments which have special experience or a particular interest in the matter, the under-developed countries, the specialized agencies, the competent inter-governmental bodies and any non-governmental organizations which may be interested in the subject, and to obtain from them any documentary material which may be of value;

2. Decides to include in the agenda of its twenty-fourth session the question of new sources of energy other than the atom and of their use for the purposes of economic development, with a view to examining the conditions for convening an international conference.

599 (XXI): International Co-operation with respect to water resource development (924th. plenary meeting, 3 May 1956)

The Economic and Social Council,

Having noted the Secretary-General's reports entitled " International Co-operation with respect to Water Resource Development",

Recognizing with appreciation the progress already achieved in strengthening international co-operation as a result of periodic inter-agency meetings on water resources,

Endorsing the recommendation of the Secretary-General that high priority be given to remedying deficiencies in hydrology data and to assisting in integrated river-basin development,

Considering that the general subject of international co-operation with respect to water resource development and the study of arid regions has been of increasing concern to the United Nations,

Considering the growing importance of the utilization of brackish and saline water, either unprocessed or demineralized, for the economic development of areas where fresh-water supplies are becoming insufficient,

Believing that there is a growing economic and social need for the most effective utilization and development of these water resources in view of the progressive increase in the world's population, the need for raising the standard of living of the peoples of the world, and rapidly increasing industrialization,

/1. Reaffirms

1. Reaffirms its support of Council resolutions 417 (XIV) of 2 June 1952 and 533 (XVIII) of 2 August 1954;

2. Commends the Secretary-General and the specialized agencies for the co-operation evidenced in the series of consultations on water resources already held;

3. Urges the Secretary-General and the specialized agencies to continue such consultations to the end that the activities of the United Nations and the organizations associated with it be carried on with full regard to the interrelationships involved;

4. Calls the attention of Governments to the importance of demineralization of saline water and utilization of subsoil water, and urges them to exchange information on the findings of research concerned with a solution of these problems;

5. Draws the attention of Governments to the desirability of an increased use of the available technical assistance facilities, especially in the training of personnel in this field;

6. Requests the Secretary-General:

(a) To make appropriate arrangements for ensuring the collection, analysis and dissemination of information on current development of water projects, research programmes and related activities;

(b) To initiate, in co-operation with the competent specialized agencies and with the Governments concerned, a preliminary inquiry on existing hydrologic services, plans for their extension, and conditions for the execution of these plans;

/ (c) To

(c) To constitute a panel of world-renowned experts for reviewing, with the assistance of the United Nations Secretariat, the administrative, economic and social implications of integrated river-basin development, and for advising on the proper action - including, if they deem it advisable, the convening of an international conference - to be taken in order to ensure a world-wide exchange of experience and data in related domains;

(d) To report to the Council, not later than its twenty-fifth session, on progress in these fields and to formulate recommendations on further action that might be taken by the United Nations and the organizations associated with it.

600 (XXI): International co-operation on cartography (922th. plenary meeting, 2 May 1956)

The Economic and Social Council,

Having before it the report of the Secretary-General entitled "International Co-operation on Cartography" and the report of the United Nations Regional Cartographic Conference for Asia and the Far East,

Recognizing the importance of accurate and reliable cartographic information, more especially in connexion with economic development projects,

Noting the results of the Secretary-General's consultations with Governments and appropriate inter-governmental organizations on the adoption of a standard method of writing geographical names on maps, and on means for completion of the International Map of the World on the millionth scale.

/1. Commends

1. Commends the Conference for the work achieved;

2. Draws the attention of Governments of Member States to the possibilities of requesting technical assistance in the field of cartography under the Expanded Programme of Technical Assistance;

3. Recommends that those regional economic commissions which think it desirable consider the question of establishing cartographic committees for the purpose of periodic consultation among their members;

4. Requests the Secretary-General:

(a) To draft, in co-operation with interested international organizations and such experts as he may wish to consult within the limits of budgetary availability, the general framework of a programme looking towards maximum international uniformity in the writing of geographical names, to submit it to Governments of States Members of the United Nations or members of the specialized agencies for their comments, and to report to the Council at a subsequent session;

(b) To prepare, on the basis of proposals already received, draft amendments to the existing specifications of the International Map of the World on the millionth scale designed to allow the greatest possible flexibility, bearing in mind the need to maintain both the World Aeronautical Chart series of the International Civil Aviation Organization and the International Map, to submit the draft amendments to Governments of Member States concerned for their comments, and to report to the Council at a subsequent session;

/5. Invites

5. Invites Governments of Member States to comment on the proposals and recommendations of the Secretary-General mentioned in paragraph 4 above;

6. Further requests the Secretary-General to take the necessary steps to convene in 1958 in Tokyo a second regional cartographic conference for Asia and the Far East, including the preparation of a provisional agenda and the sending of invitations to Governments of States Members of the United Nations or of members of the specialized agencies, and to the specialized agencies and other inter-governmental organizations.

603 (XXI): Convention on Road Traffic adopted at the United Nations Conference on Road and Motor Transport (Geneva, 19 September 1949) (914th. plenary meeting, 26 April 1956)

The Economic and Social Council,

Having examined the Secretary-General's note on the 1949 Convention on Road Traffic drawing its attention to the expiry on 26 March 1957 of the provision contained in paragraph 6 of article 24 of that Convention reading as follows:

"During a period of five years beginning with the entry into force of this Convention, any driver admitted to international traffic under the provisions of the International Convention relative to Motor Traffic signed at Paris on 24 April 1926, or of the Convention on the Regulation of Inter-American Automotive Traffic opened for signature at Washington on 15 December 1943, and holding the documents required thereunder, shall be considered as fulfilling the requirements of this article",

/Taking into

Taking into account the opinion expressed by the Transport and Communications Commission in paragraph 34 of the report on its seventh session, and also resolution 185 adopted by the Inland Transport Committee of the Economic Commission for Europe at its thirteenth session,

Recognizing the difficulties and delay involved in formally amending the Convention,

1. Recommends prompt ratification of the 1949 Convention on Road Traffic by all eligible Governments which have not already done so, in order to achieve at the earliest possible date the desirable world-wide uniformity in administrative procedures provided by the Convention;

2. Recommends Governments of States which are or may become parties to the 1949 Convention on Road Traffic to examine the possibility of continuing, as an administrative measure, to apply the provisions of paragraph 6 of article 24 of that Convention for an additional period of three years, up to 26 March 1960;

3. Instructs the Secretary-General to communicate the above recommendation to the Governments mentioned in paragraph 2 and to request them to inform him of their position with respect to this recommendation;

4. Instructs further the Secretary-General to inform Governments of States which are parties or are eligible to become parties to the 1949 Convention on Road Traffic of the replies received under paragraph 3.

604 (XXI): Recognition and enforcement of foreign arbitral awards (923th plenary meeting, 3 May 1956)

The Economic and Social Council,

Recalling its resolution 570 (XIX) of 20 May 1955, requesting the Secretary-General to ascertain from the Governments mentioned therein whether they consider it desirable to convene a conference to conclude a convention on the recognition and enforcement of foreign arbitral awards, and whether they are prepared to participate in such a conference,

Noting from the report of the Secretary-General on the result of the consultation undertaken in pursuance of resolution 570 (XIX) that a substantial number of Governments have expressed themselves in favour of convening a conference to conclude a convention on the recognition and enforcement of foreign arbitral awards, and have indicated that they are prepared to participate in such a conference,

Noting further the comments by Governments and interested non-governmental organizations in consultative status on the draft Convention on the Recognition and Enforcement of Foreign Arbitral Awards prepared by the Committee on the Enforcement of International Arbitral Awards,

Having considered the observations on this subject submitted by the Secretary-General in pursuance of resolution 570 (XIX),

Taking into account the activities of the regional economic commissions of the Council and of other inter-governmental and non-governmental organizations aiming at furthering the development of arbitrarion in private law disputes as a measure

/beneficial to

beneficial to international trade,

Having consulted the Secretary-General as prescribed in General Assembly resolution 366 (IV) of 3 December 1949, approving the rules for calling of international conferences of States,

1. Decides:

(a) To call a conference of plenipotentiaries with the following terms of reference:

(i) To conclude a convention on the recognition and enforcement of foreign arbitral awards on the basis of the draft Convention prepared by the Committee on the Enforcement of International Arbitral Awards, taking into account the comments and suggestions made by Governments and non-governmental organizations, as well as the discussion at the twenty-first session of the Council;

(ii) To consider, if time permits, other possible measures for increasing the effectiveness of arbitration in the settlement of private law disputes and to make such recommendations as it may deem desirable;

(b) To invite:

(i) States Members of the United Nations or members of any of its specialized agencies, and also any other State which is a party to the Statute of the International Court of Justice, to participate in the conference;

/(ii) The

(ii) The interested specialized agencies and non-governmental organizations having consultative status with the Council, as well as The Hague Conference on Private International Law and the International Institute for the Unification of Private Law, to participate without vote in the conference;

2. Requests the Secretary-General:

(a) To ask the inter-governmental and non-governmental organizations active in the field of international commercial arbitration to submit brief reports on the progress of their activities on this subject, together with any comments or suggestions they may have;

(b) To submit to the conference a consolidated report, including the reports received from the above organizations, and any other information he may have gathered on the subject, together with such observations as he may have;

(c) To make all necessary arrangements for the calling of the conference of plenipotentiaries in accordance with the terms of General Assembly resolution 366(IV) and of the present resolution.

614 (XXII): World economic situation (951st, plenary meeting, 9 August 1956)

A

MEASURES FOR THE DEVELOPMENT OF TRADE CO-OPERATION

The Economic and Social Council,

Noting with satisfaction that the relaxation of international tension creates conditions favourable to the development of economic and trade relations between States,

Recognizing that the further expansion of world trade is one of the most important factors favouring the economic development of countries and the improvement of economic relations between all countries, thus making for peace throughout the world,

Taking into account the steps so far taken by the Council, especially in resolution 531 C (XVIII) of 4 August 1954 on the removal of obstacles to international trade and means of developing international economic relations, in resolution 579 A (XX) of 4 August 1955 on the expansion of world trade, and, in particular, in resolution 592 (XX), of 7 December 1955, on international machinery for trade co-operation,

1. Strongly urges Governments not to slacken their efforts to develop international trade;

2. Invites the Governments of States Members of the United Nations to submit at an early date to the Secretary-General comments concerning the international machinery for trade co-operation and, in this connexion, commends to their attention the Secretary-General's report on the subject;

3. Requests

3. Requests the Secretary-General to analyse the replies received from Governments pursuant to the previous paragraph and to submit to the Council for consideration at its twenty-fourth session such a report as he may be in a position to make;

4. Reaffirms the confidence expressed in its resolution 579 A (XX) in the valuable services of the United Nations regional economic commissions in connexion with trade co-operation, and calls their attention to the advisability of studying difficulties preventing expansion of international trade, pointing out obstacles that should be removed according to the conditions and needs specific to each of their regions;

5. Further requests the Secretary-General to keep under review all trade developments.

B

TRADE AND PRODUCTION POLICIES IN RELATION TO THE ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES

The Economic and Social Council,

Having examined the World Economic Survey 1955, and the other studies submitted by the various United Nations secretariats on item 2 (a) of the Council's agenda,

Noting that, while these studies and the introductory reports by the Secretary-General and the executive secretaries of the regional economic commissions clearly indicate that progress in economic development has been made in under-developed countries, the gap between the standards of living and levels of productivity in developed and under-developed countries has

/been widening,

been widening,

Citing Articles 55 and 56 of the United Nations Charter and the pledges made by the signatory peoples to take joint and separate action with a view to promoting "higher standards of living, full employment, and conditions of economic and social progress and development",

Recognizing the need for national action and international co-operation looking to the expansion of international trade, as a major method of assisting under-developed countries to advance their economic development,

1. Recommends that in the formulation and administration of their trade and production policies, Governments take into account the possible effects of their policies upon other economies, and that the Governments of the more developed countries recognize especially the importance of their trade and production policies for the economic development of under-developed countries which are heavily dependent on trade in primary products and on a reasonable degree of stability in their prices;

2. Recommends further that, to assist in strengthening their economies, the under-developed countries make every effort to diversify the markets for their products, internally and externally alike, by such measures as the acceleration of their industrialization, the development of new markets, and the expansion of the range of their production;

3. Commends to the Secretary-General and to the United Nations bodies concerned the importance of statistical and

/analitical studies

analitical studies that may throw light on the behaviour of the international demand for primary products.

C

RESOURCES AND REQUIREMENTS SURVEYS

The Economic and Social Council,

Having considered the World Economic Survey 1955,

Noting with satisfaction the general growth in world production and international trade since the end of the second world war,

Noting that the increase in world production and international trade has not been evenly spread over the various regions,

Further noting that, in the under-developed countries, total production has increased at a far lower rate than that in the industrial countries,

Noting with concern that per capita output in South and South-East Asia has declined as compared to 1938,

Reaffirming that the rapid economic development of under-developed countries is of the foremost importance both from national and international points of view,

Recognizing the desirability of concerted action in the field of economic development,

Further recognizing the necessity of basing action on adequate information and statistics,

1. Invites the attention of Governments concerned, particularly in the under-developed countries, to the importance of surveying their human and material resources and their needs,

/with a

with a view to planning developmental programmes in such a way as to achieve a fuller utilization of their presently unused resources both human and material;

2. Requests the Secretary-General, in consultation with the Food and Agriculture Organization of the United Nations and other specialized agencies, as appropriate, to draw to the attention of Governments available information regarding techniques of resources and requirements surveys which have proved useful in practice, and to prepare such complementary studies on these techniques as he finds appropriate;

3. Draws to the attention of Governments the possibility of technical assistance for resources and requirements surveys;

4. Invites Governments which undertake surveys of the type envisaged in this resolution to make the arrangements necessary to ensure that the results are used as effectively as possible;

5. Invites Governments to inform the Secretary-General, as appropriate, of the results of such surveys, as they are completed;

6. Further requests the Secretary-General to prepare a progress report, with a summary and analysis of the information submitted to him by Governments, for submission to the Council at the summer session of 1959;

7. Decides that, in its consideration of the Secretary-General's report, the Council will give particular attention to the implications of the aforesaid report for national and

/international action

international action in relation to the problems of the economic development of under-developed countries.

615 (XXII): Annual reports of the regional economic commissions (941st. plenary meeting, 20 July 1956)

C

ANNUAL REPORT OF THE ECONOMIC COMMISSION FOR LATIN AMERICA

The Economic and Social Council,

1. Takes note of the annual report of the Committee of the Whole of the Economic Commission for Latin America;

2. Considers that the work programme of the Commission as established by the Committee of the Whole at its meeting held in Santiago, Chile, from 14 to 15 May 1956 is of primary importance for the economic development of Latin America;

3. Endorses the order of priorities allocated by the Committee of the Whole to the individual work projects.

616 (XII): Invitation to Japan to attend sessions of the Economic Commission for Latin America (941st. plenary meeting, 20 July 1956)

The Economic and Social Council,

Considering that the presence of Japan in the Economic Commission for Latin America would further the purposes of that Commission,

Bearing in mind the attitude adopted by the Council in similar cases, as recorded in its resolutions 515 B (XVII) of 30 April 1954 and 581 (XX) of 4 August 1955,

Requests the Secretary-General to authorize the Executive Secretary of the Economic Commission for Latin America to invite

/Japan to

Japan to attend sessions of the Commission on a basis similar to that provided in paragraph 6 of the terms of reference of the Commission for States Members of the United Nations not members of the Commission.

619 (XXII): Financing of economic development (951st. plenary meeting, 9 August 1956)

A

QUESTION OF THE ESTABLISHMENT OF A SPECIAL UNITED NATIONS FUND FOR ECONOMIC DEVELOPMENT

The Economic and Social Council,

Having examined the interim report of the Ad Hoc Committee on the Question of the Establishment of a Special United Nations Fund for Economic Development,

1. Draws the attention of the General Assembly to the discussions held at the twenty-second session of the Council concerning the proposed establishment of such a fund,

2. Invites the Governments which have not yet sent in their replies pursuant to General Assembly resolution 923 (X) of 9 December 1955 to do so as soon as possible;

3. Commends the Ad Hoc Committee for its instructive interim report and looks forward to the completion of its final report;

4. Expresses the hope that, in the meantime, the General Assembly will consider what further steps may help to promote the early establishment of a Special United Nations Fund for Economic Development.

/B INTERNATIONAL

B

INTERNATIONAL FLOW OF PRIVATE CAPITAL

The Economic and Social Council,

Having examined the report of the Secretary-General entitled "The International Flow of Private Capital, 1953-55",

Recognizing the desirability of the publication and dissemination of information of a statistical and non-statistical nature concerning the flow of capital, the economic conditions, legislation, agreements and administrative practices affecting investment, the measures taken by capital-exporting and capital-importing countries making for international confidence, and the opportunities for investment,

1. Recommends that the General Assembly modify its request to the Secretary-General contained in paragraph 6 of its resolution 824 (IX) of 11 December 1954 so as to provide for the submission of the report referred to therein on a triennial basis and for the submission annually of a report containing a review of developments and a statistical treatment of the flow of capital;

2. Requests the Secretary-General to submit to the Council for consideration at its summer sessions Ad hoc reports on particular aspects of international investment and to advise the Council periodically of the studies which are under way or projected both at Headquarters and at the secretariats of the regional economic commissions;

3. Notes with satisfaction that the International Financial Corporation has commenced operations;

/4. Invites

4. Invites Governments to develop and disseminate such information as may be possible, both of a statistical and a non-statistical nature, respecting the flow of investment, economic conditions, legislation, agreements and administrative practices under which investment may take place, and the existence of investment opportunities;

5. Urges Governments of capital-exporting and capital-importing countries alike to continue their efforts to develop international confidence conducive to private investment, in conformity with the principles of the Charter of the United Nations and with special reference to General Assembly resolution 824 (IX) of 11 December 1954 and Council resolution 368 (XIII) of 22 August 1951.

620 (XXII): International commodity problems (951st. plenary meeting, 9 August 1956)

The Economic and Social Council,

Having considered the report submitted by the Commission on International Commodity Trade, and the report submitted by the Interim Co-ordinating Committee for International Commodity Arrangements,

Bearing in mind its resolution 557 F (XVIII) of 5 August 1954, which provides for the re-examination of the status and functions of the Commission on International Commodity Trade as well as of the Interim Co-ordinating Committee for International Commodity Arrangements,

Considering that in order to carry out the tasks of the

/bodies concerned

bodies concerned with international commodity trade, and in particular those related to fluctuations of prices and volume and to terms of trade referred to in previous resolutions of the Council, international co-operation is necessary,

Recognizing the importance to the economies of the under-developed primary producing countries of the state of the world markets for primary commodities,

1. Takes note of the above-mentioned reports;

2. Confirms for the present the terms of reference of its permanent advisory Commission on International Commodity Trade as they have been set out in resolutions 512 A (XVII) of 30 April 1954 and 557 F (XVIII) of 5 August 1954;

3. Requests the Interim Co-ordinating Committee for International Commodity Arrangements to continue to discharge for the time being the functions given to it under resolution 557 F (XVIII);

4. Requests the Secretary-General, in order that the Council shall exercise its co-ordinating functions within the framework of the United Nations in the field of commodity problems, to transmit to the Commission on International Commodity Trade, to the Interim Co-ordinating Committee for International Commodity Arrangements, and to the Food and Agriculture Organization of the United Nations the records of the discussions on international commodity problems held during the twenty-second session of the Council under item 6 of its agenda;

/5. Further

5. Further requests the Secretary-General to obtain from the aforementioned bodies the views which they might wish to express, in the light of the discussion referred to above and in the light of their experience in pursuing their work, on any defects in the present organizational and procedural arrangements governing their activities in the field of international commodity problems and on co-ordination of their functions within the framework of the United Nations, and such specific suggestions on the elimination of those defects as they may be able to make;

6. Further requests the Secretary-General to submit these views to the Council at its twenty-fourth session;

7. Requests the Commission on International Commodity Trade, in carrying out its work, to take into account the importance of the economic development of the under-developed countries, bearing in mind the relationship between the acceleration of the process of industrialization in these countries and the state of the world markets for primary commodities.

621 (XXII): Establishment of a world food reserve (950th. plenary meeting, 6 August 1956)

The Economic and Social Council,

Having considered the report on the Functions of a World Food Reserve - Scope and Limitations prepared by the secretariat of the Food and Agriculture Organization of the United Nations pursuant to General Assembly resolution 827 (IX) of 14 December 1954,

/Affirming the

Affirming the desirability of achieving the objectives set forth in General Assembly resolution 827 (IX),

Commending the secretariat of the Food and Agriculture Organization for the useful review and analysis,

1. Notes that it is not practicable to achieve under a single organization all the objectives set forth in General Assembly resolution 827 (IX);

2. Concludes:

(a) That the basic solution for the problems to which the General Assembly resolution is addressed lies in rapid and balanced economic development;

(b) That under appropriate circumstances food surpluses can usefully contribute to this development when account is taken of the principles established by the Food and Agriculture Organization for the disposal of agricultural surpluses;

(c) That the use of food surpluses or reserves for economic development or price stabilization purposes, which is an aspect of more general problems already under consideration in the United Nations family, should be examined as part of those problems with increased emphasis on the role of food surpluses or reserves in assisting less developed countries to resist strains placed on their foreign exchange positions by unforeseeable food shortages;

3. Stresses the need for progress towards the attainment of the objectives of the General Assembly resolution through continued and intensified international co-operation and national programmes;

/4. Requests

4. Requests the Secretary-General, in consultation with the Food and Agriculture Organization and such other organizations and experts as he considers appropriate, to report on the possibility of further national action and international co-operation with a view to attaining the objectives set forth in the General Assembly resolution, including the feasibility, and, if feasible, the manner of using food reserves for meeting unforeseeable food shortages, taking into consideration the various suggestions made at the twenty-second session of the Council and those which may be made at the forthcoming eleventh session of the General Assembly, and to transmit his report to the Council at its twenty-fourth session;

5. Decides to consider this report at its twenty-fourth session and to transmit it and the Food and Agriculture Organization's report together with its own recommendations to the General Assembly at its twelfth session.

622 (XXII): Report of the Statistical Commission (ninth session) (950th. plenary meeting, 6 August 1956)

A

The Economic and Social Council,

Recognizing the increasing importance of assisting the Governments of States Members of the United Nations in the development and improvement of their statistical services, in order to assure a better planning and implementation of enquiries and to accelerate the compilation of data,

Aware of need for more adequate and more systematic arrangements for providing advisory statistical services to

/countries requesting

countries requesting such services,

Taking note of the report of the Statistical Commission on its ninth session and of the recommendations which are included in it, in particular in resolution 1 (IX),

Taking note also of the report of the Secretary-General on the means by which the purposes of the above-mentioned resolution may be achieved,

Recognizing the need and importance of adequate statistical data at the regional level,

Further recognizing the necessity of strengthening the statistical work in those parts of the world where statistics are deficient, particularly in the regions covered by the Economic Commission for Asia and the Far East and the Economic Commission for Latin America and in the Middle East and Africa,

1. Approves the report of the Statistical Commission;

2. Recommends to the General Assembly to approve, in the regular budget of the United Nations for the year 1957, the allocation of the funds necessary to increase the number of experts of the Statistical Office of the United Nations in order that statistical assistance be strengthened and systematized and be available, at the request of Government of Member States:

(a) To assist in building up adequate statistical data for the regions;

(b) To help in formulating requests for the kind of assistance best suited to the needs of the countries;

(c) To provide short-term assistance in the most expeditious way;

/(d) To

(d) To consult with Governments on the preparatory arrangements necessary to ensure the success of advisory services provided by experts;

(e) To assist in the establishment and conduct of education and training activities in collaboration, where appropriate, with the specialized agencies concerned;

(f) At the request of specialized agencies concerned, to render advisory services to Governments on statistical matters of direct concern to such agencies.

630 (XXII). General review of the development and co-ordination of the economic, social and human rights programmes and activities of the United Nations and the specialized agencies as a whole (951st plenary meeting, 9 August 1956)

A

I

The Economic and Social Council,

Having considered the Secretary-General's introductory statement, his note on the work programme of the Council and the financial implications of the Council's actions, and his note on work programme and costs of the economic and social activities of the United Nations,

Having considered the annual reports of the International Labour Organisation, the Food and Agriculture Organization of the United Nations, the United Nations Educational, Scientific and Cultural Organization, the World Health Organization, the International Civil Aviation Organization, the International Telecommunication Union, the Universal Postal Union and the World

/Meteorological Organization

Meteorological Organization,

Having considered the nineteenth report of the Administrative Committee on Co-ordination,

Considering that more concrete measure by the Council on co-ordination require appropriate preparatory work,

1. Takes note of the above-mentioned reports;

2. Commends the Secretary-General for the action already taken to streamline the work of the United Nations in the economic, social and human rights fields;

3. Endorses, subject to the decisions taken and comments made by the Council at its present session, the proposals made in the Secretary-General's note entitled "Observations on the Work Programme of the Council and on the Financial Implications of the Council's Actions";

4. Reiterates the appeal made by the General Assembly in its resolution 125 (II) of 20 November 1947 and calls upon the States members of the United Nations and of the specialized agencies to take urgent measures to ensure on the national level a co-ordinated policy in regard to the activities of the United Nations and of the various specialized agencies, in order that greater concentration on major projects and fuller co-ordination may be achieved between the United Nations and the specialized agencies in the economic, social and human rights fields;

5. Requests the Secretary-General to produce a further report on the lines of the document entitled "Observations on the Work Programme of the Council and on the Financial Implications

/of the

of the Council's Actions", including comments on work in the social field as mentioned in paragraph 4 of that document and on the work programmes of the regional economic commissions and the functional commissions;

6. Recommends to the Administrative Committee on Co-ordination to continue and intensify its efforts through inter-agency consultation to achieve co-ordination in the planning and execution of programmes;

7. Recommends to the Administrative Committee on Co-ordination to report in more detail to the Council on its deliberations;

8. Recommends to the specialized agencies and requests the regional economic commissions and the functional commissions to pay special attention to further concentration of their activities on major economic, social and human rights problems, as may be appropriate, and to the more efficient co-ordination of the said activities, and to include a special section thereon in their next reports to the Council;

9. Decides that its Co-ordination Committee shall meet one week before the opening of its twenty-fourth session in order to consider the report of the Secretary-General requested above and the relevant sections of the reports of the specialized agencies, regional economic commissions, and functional commissions, and to submit its recommendations to the Council for consideration at the same session.

/II The Economic

II

The Economic and Social Council,

Recalling General Assembly resolution 125 (II) of 20 November 1947,

Recalling further Council resolution 590 A II (XX) of 5 August 1955,

Considering that the co-ordination of national action is of paramount importance to the concentration of effort,

Considering further that, in spite of the attention given by Governments to improvement of co-ordination on the national level in respect of matters concerning the United Nations, its bodies and the specialized agencies, the problem remains,

Considering that an exchange of information between Governments concerning the difficulties they have encountered in this respect and the means and methods by which they have endeavoured to overcome them would be of assistance to all States Members of the United Nations, especially if the information collected and circulated were to be accompanied by an analysis of the main difficulties involved and the various methods used to deal with them,

1. Requests the Secretary-General to prepare and circulate a survey of the means and methods employed by the Governments of Member States for the purpose of co-ordinating their national policies in respect of the activities of the various organs, committees and agencies in the field of the economic and social activities of the United Nations family, and, in so doing, to

/pay particular

pay particular attention to the difficulties encountered;

2. Requests the Secretary-General to invite the Governments of Member States to submit the information needed for the preparation of the survey mentioned in the preceding paragraph, in so far as their own problems, practices and methods are concerned, and to undertake, if necessary, direct consultations with individual Governments for the purpose of obtaining further information on points of particular importance.

II

The Economic and Social Council,

Having noted paragraphs 24 and 25 of the statement of the Secretary-General pertaining to the detailment of social affairs staff from Headquarters to the secretariats of the Economic Commission for Latin America and the Economic Commission for Asia and the Far East and to the Middle East area, and the posting of Headquarters staff of the United Nations Technical Assistance Administration to regional commission offices.

Noting further that these arrangements have been made on an experimental basis,

Believing that a final decision on this matter should be reached only on the basis of adequate experience,

1. Expresses the hope that the interim report the Secretary-General intends to submit to the eleventh session of the General Assembly on the posting of Headquarters personnel of the Technical Assistance Administration to regional commission offices will also cover the detailment of social affairs staff;

2. Considers that the present arrangements regarding the posting of personnel as authorized by the General Assembly on an experimental basis, should preferably be continued until the end of 1957, if the General Assembly so agrees:

3. Requests the Secretary-General to prepare, for the use of the General Assembly at its twelfth session, a report on the results of the experience gained in the posting of the aforementioned headquarters personnel to regional commission offices, and to submit this report to the Council at its twenty-fourth session, in order to enable the Council to transmit its views on the report to the General Assembly.

632 (XXII): Invitation to the Federal Republic of Germany to attend sessions of the Economic Commission for Latin America (953rd. plenary meeting, 19 December 1956)

The Economic and Social Council,

Considering that the presence of the Federal Republic of Germany in the Economic Commission for Latin America would further the purposes of that Commission,

Bearing in mind the attitude adopted by the Council in similar cases, as recorded in its resolutions 515 B (XVII) of 30 April 1954, 581 (XX) of 4 August 1955, 616 (XXII) and 617 (XXII) of 20 July 1956,

Requests the Secretary-General to authorize the Executive Secretary of the Economic Commission for Latin America to invite the Federal Republic of Germany to attend sessions of the Commission on a basis similar to that provided in paragraph 6 of the terms of reference of the Commission for States Members of the United Nations not members of the Commission.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh session

La Paz, Bolivia, 15 May 1957

STATEMENT OF INTER-LATIN AMERICAN TRADE BY THE SECRETARY OF COMMITTEE I (20 May 1957)

Introduction

The report presented to the seventh session of the Economic Commission for Latin America by the Trade Committee is in the hands of the delegations. It outlines the proceedings of the Committee's first session, which was held last November at Santiago, Chile, and was attended by representatives of all the Governments members of the Commission.

Under the terms of resolution 101 (VI), by which it was established, it is the responsibility of the Trade Committee to devise practical ways and means of intensifying Inter-Latin American trade without prejudice to the expansion of trade with other regions, and bearing in mind the fundamental necessity of increasing world trade as a whole. The same resolution calls upon the Committee to seek ways of overcoming specific difficulties relating to inter-Latin American payments, trade policy, trade in given commodities, maritime transport and other problems, the solution of which will permit the attainment of the basic objectives defined.

As the report states, at its first session the Committee concentrated on three main topics. The first related to the rigid bilateralism characterizing the accounts through which most inter-Latin American trade payments are effected; the second, to certain difficulties hampering trade in so-called

traditional commodities; and the third to the establishment of a regional market.

Inter-Latin American trade arouses increasing interest. Although it represents only about one-tenth of Latin America's total foreign trade, the value of the transactions involved amounts to the intrinsically substantial sum of about 750 million dollars annually in each direction. This figure does not include freight charges and other invisible payments for services. Nor, with a few exceptions, does it cover border or unregistered trade. A cautious estimate of the presumable aggregate value of inter-Latin American trade would place it at approximately 1,000 million dollars yearly in each direction.

The complementarity existing between a certain number of the natural products of Latin America is a matter of common knowledge. This situation has given rise to patterns of trade which are by now traditional. Some countries depend largely on regional sources for certain of their basic supplies. The level attained by economic activity in some branches of production is a result of exports to the region itself. In addition, the interest aroused by inter-Latin American trade derives mainly from its latent possibilities. In view, moreover, of certain problems inherent in industrial expansion on the basis of what are as a rule small consumer markets, the establishment of satisfactory contacts between the economies of the Latin American countries would seem to constitute a valuable factor for the following purposes: the improvement of productivity; import substitution; the strengthening of purchasing power in relation to the large world centres; and the provision of incentives to

foreign investment. In the course of the discussions at the Committee's first session, it became evident that, in virtue of considerations such as these, inter alia, the countries of the region fully realized that an effective policy of reciprocal trade relationships would constitute a contribution to their economic development.

Payments

The Committee's report, in indicating the bases for the agreements concluded with respect to payments, presents a picture some aspects of which it is worth while to outline here. With the exception of petroleum transactions, most inter-Latin American trade is effected through clearing accounts. These arrangements are not always a mere expedient for overcoming the obstacles to the regular flow of export and import trade created by the shortage of convertible currencies. They often assume, up to a point, the character of instruments of trade policy, especially when the tariff agreements in force in either or both of the contracting countries do not leave sufficient margin for the use of the customs tariff in the conduct of their intra-regional trade. In such cases, the incentives that should derive from tariff treatment are generally sought at the level of payments agreements. While their provisions lack uniformity and their operational methodology is usually dissimilar, the clearing arrangements present certain features in common, such as their strictly bilateral nature, the failure to observe parities - less marked of late - and the frequent freezing of balances. For one reason or another, and especially because of the more or less perpetual shortage of convertible currencies, the majority of the clearing-

/accounts countries

accounts countries waive their right to demand that the amount whereby their favourable balance exceeds the credit stipulated in the agreement be paid in convertible dollars. This is, in effect, tantamount to a sort of compensation through time.

But the freezing of the balance is liable to disturb the normal course of trade. It generally entails a fall in quotations for the unit of account in the creditor country, thus discouraging exporters. Moreover, a contraction is often registered in the purchases of the debtor country, which restricts them for fear of over-stepping the margin beyond which it runs the risk of having to disburse convertible currency.

Very little trade is conducted between the clearing-accounts countries and those of the zone where multilateral practices are prevalent, even in cases where their lines of production are reciprocally complementary. The clearing-accounts sector buys from the multilateral zone certain basic commodities, mainly petroleum, for which it almost always pays in convertible currency. But the multilateral sector makes few, or merely sporadic, purchases from the clearing-accounts area. For a long time, the cause of this unilateral movement had to do with the system of over-valued export exchange rates prevailing in countries in the clearing-accounts sector, which meant that sales prices were higher in terms of convertible dollars.

At the time of the first session of the Trade Committee, significant changes in this picture were becoming apparent. Certain trends towards economic liberalization, not unallied to the visible weariness of direct foreign trade controls to which

/their persistent

their persistent maintenance has given rise, a weariness which in its turn is bound up with what has become known as the moral cost of this system, as well as the more determined attitudes adopted by individual countries to inflationary processes, have influenced the introduction of exchange reforms. In some countries, which have simultaneously resorted to indirect measures for the control of imports, exchange rates have become more realistic. Maladjustments between the reform policy and the principles underlying the agreements were necessarily reflected in a considerable decline in trade through clearing accounts in the course of 1956, although several factors contributed to this falling-off in the year in question. In face of such a situation, the Committee discussed, at its first session, whether it would be possible to eliminate the clearing accounts and replace them by the use of freely convertible currencies. Despite their desire to take this step at once, the countries concerned felt that existing balance-of-payments pressures precluded any idea of achieving such an objective except by a gradual process of transition. Furthermore, recognizing that their economic growth was affected by the fact that inter-Latin American trade was to a large extent enclosed in watertight compartments, under a system which prevented or hindered any form of co-ordination of industrial development, the countries in question resolved to take co-ordinated action towards the gradual attainment of a common goal. The ultimate aim would be a multilateral reciprocal payments system, as a stage on the path towards total liberalization of trade, both intra-regional and with the rest of the world.

These proposals are set forth in resolution 1 (I) of the

Trade Committee, which also defines the forms of action to be taken. A Working Group, composed of representatives of the Central Banks or equivalent authorities of the clearing-accounts countries, will explore, on the basis of a technical study that the ECLA secretariat has been asked to carry out, the possibilities of gradually establishing a multilateral system and will suggest appropriate measures. At the same time the resolution notes that the countries concerned are prepared, during the transitorial period before the proposed multilateralism can be achieved, to adopt certain principles and measures - which are defined in detail - designed to bring the accounts into line with standard practices whose application will permit, in given circumstances and conditions, the multilateral utilization of balances. The most important of these principles is that of equal quotations for units of account and convertible currencies for the same operations. The possibility of transferring balances from the bilateral account to third accounts is directly associated with the observance of this special form of parity.

Regional market

Lively interest in this topic was expressed at the first session of the Committee. This was to be expected, as a survey carried out in several Latin American countries shortly before the meeting by two distinguished economists, acting as special consultants to the Commission 1/, with the cooperation of the secretariat,

1/ See "Payments and the regional market in Latin American trade", in the study Inter-Latin American trade: current problems (E/CN.12/423), United Nations publication, Sales No.: 1957. II.G.5.

/showed that

showed that mature consideration was already being given in expert circles to the idea that the acquisition of capital and technological resources, and their utilization in satisfactory conditions of productivity, would be greatly facilitated by the existence of a regional market. Since the expansion of most of Latin American's incipient industry is hampered by the inadequacy of real and sometimes also of potential domestic consumer capacity, it is difficult for such activities to contribute to the diversification of exports by creating surpluses which can be sold to other countries of the region or on the world market at competitive prices. Investment in the production of certain raw materials and equipment required for industrial activity is slowed down by the small size of the consumer market. For these and other reasons, combined with the under-utilization of industrial installations with a capacity in excess of domestic demand, the idea of the regional market is rapidly taking root. This was revealed by the discussions of the Trade Committee. But, both in these discussions and in the survey mentioned, the prevailing criterion seemed to be one more or less new to the region.

In the course of several past attempts to integrate the Latin American economies within a common trade area, consideration was often given to agreements under which one of the contracting parties would open its market to the other for given articles, in return for a similar concession. Most of the views expressed at the first session of the Committee approached the subject from a different angle; the regional market would yield all the beneficial results expected, provided that the formulae adopted did not provide for exclusive arrangements or monopolies. In such

/conditions, according

conditions, according to the report, the creation of a regional market would give all countries the opportunity to decide which enterprises it would be most advisable for them to establish. Alongside the directive function of the Governments, discharged through trade agreements which would shape the concept of the regional market, private enterprise would play a pre-eminent role in the development of the market. It was also pointed out in the course of discussion that this would not preclude the consideration of formulae incorporating special regulations for the participation of relatively less developed countries in the market, or for the approval of special arrangements between adjacent countries.

Without declaring itself in favour of any one formula, the Committee adopted two resolutions in relation to the regional market. One of these recommended to the secretariat that it should proceed to make an inventory of existing industries, with a view to determining what measures were advisable in order to solve the problems of duplication and idle installed capacity observable in Latin American industry. The other requested the secretariat to set up a group of experts to complete the regional market studies already carried out. Under the terms of the resolution, this group would define the characteristics of the regional market, bearing in mind the differing degrees to which the countries of the region were industrialized; to study the possibilities amd projections of such a market; and to submit recommendations on basic principles and procedures for its establishment.

/Traditional commodities

Traditional commodities

In another resolution, the Committee submitted for consideration by the member Governments certain recommendations in connexion with trade in traditional commodities, relating especially to such points as the following: the desirability of the gradual liberalization of their trade; the marketing of such commodities at international prices, preference being given as far as possible, prices and other conditions being equal to those produced within the region; the abolition of State monopolies; and the conclusion of trade agreements negotiated for periods long enough to ensure methodically organized production by the exporter and regular supplies for the importer country.

Information document No. 37

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session

La Paz, Bolivia, 15 May 1957

REPORT BY THE SECRETARY OF COMMITTEE I ON THE IMPLEMENTATION OF THE RESOLUTIONS OF THE TRADE COMMITTEE CONCERNING THE REGIONAL MARKET (20 May 1957)

In connexion with the resolutions of the Trade Committee relating to the regional market, I have to state that, during the past months, the secretariat has laid special emphasis on the work carried out in pursuance of the resolution adopted by the Committee with respect to inter-Latin American payments. The fundamental purpose of this resolution is to ensure, in addition to the expansion of Latin America's aggregate foreign trade, that the rigid bilateralism characterizing the clearing accounts is gradually replaced by a system which will permit the multilateral transfer of balances.

From this point of view the work on payments is of direct interest so far as the devising of any regional market formula is concerned. It is difficult to imagine any system which does not embrace at least certain principles relating to the co-ordination of exchange policies, and especially, inter alia, to the maintenance of parity between the units of account concerned, as well as to the automatic inclusion in the accounts of payments deriving from the free circulation of the goods covered by the regional merket. Consequently, any preliminary

/step towards

steps towards the establishment of such a market actually forms part of the effort aimed at breaking down the bilateralism from which the payments system at present suffers.

The secretariat, following the lines suggested in the course of discussion at the first session of the Trade Committee, and bearing in mind resolution 3 (I) of the Committee in question, proposes to convene the first meeting of the Group of Experts during the second half of the current year. This Group, under the terms of the resolution cited, will carry out, in co-operation with the secretariat, the studies relating to the establishment of the regional market.

The secretariat is preparing the information and general background data required for this first Meeting, which will discuss the following topics, among others:

(a) Bases for taking the inventory of existing industries in Latin America referred to in resolution 2 (I) of the Trade Committee. As this resolution is couched in very general terms, the Group will study the schedulling of the work and the appropriate priorities, with a view to concentrating at first on studies relating to those branches of industry which may be of major importance for the setting-up of the regional market, at any rate during its initial phase;

(b) Possible regional market formulae, to be subsequently submitted for the technical consideration of their positive and negative aspects by the secretariat, and presentation of the pertinent report to the Group of Experts for consideration at its second Meeting;

/(c) Principles

(c) Principles and procedures which might prove adequate for the maintenance of a constant balance between relative prices within the regional market, once it is established. This point has some bearing on a motive of concern apparent in various countries. It is thought that if domestic inflationary pressures bring about a rise in costs, and this is not reflected in a timely modification of the export exchange rate, it might well happen that the balance of interests existing at the time when the regional market was initiated would be upset, and this might create obstacles to the continuity which it is important to maintain in the implementation of the trade agreements concluded in order to put the market into operation. One of the most important tasks of the Group of Experts will be at this level;

(d) Bases for the participation of the less developed countries in the regional market; and

(e) Special arrangements between adjacent countries, in conformity with the agreements relating to the regional market.

Among the background data which the secretariat is preparing for the use of the Group of Experts will be included a summary of the ideas, facts and projections relating to the regional market which emerge from certain studies already carried out or under way. Cases in point are those pertaining to the pulp and paper industries in Argentina and Chile; and those deriving from the technical discussions held at the Latin American Meeting of Experts on the Iron and Steel Making and Transforming Industries, which took place a short time

/ago at

ago at Sao Paulo, Brazil. Interesting information in connexion with the regional market can also be extracted from the study on the Argentine machine and industrial equipment industry which forms an integral part of the report on Argentina to be issued shortly by the secretariat. It is also hoped to include in the background data compiled for the Group certain points emerging from the study on industrial development in Peru which a group of secretariat economists is carrying out at the present time. Some background data are also available on the motor-vehicle market in Brazil and Argentina. Reference must also be made to the Central American integration agreements. The secretariat will prepare all this informative material for the Group as fully as possible, together with a report on the European common market agreement, especially those of its aspects which are of the greatest significance for studies on a Latin American regional market.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 15 May 1957

STATEMENT BY THE SECRETARY OF COMMITTEE I ON THE FIRST SESSION OF THE CENTRAL BANKS' WORKING GROUP (21 May 1957)

The report submitted to the Trade Committee on the first session of the Central Banks Working Group on a Multilateral Payments system, held at Montevideo from 29 April to 10 May, has been distributed for the information of the delegations at this seventh session of ECLA.

The object of the meeting was to prepare the measures for putting into practice, within the bilateral clearing accounts, the principles and procedures which the clearing-accounts countries resolved to adopt under points II and III of resolution 1 (I) of the Trade Committee, so that they may be applied during the period of transition which must intervene before a multilateral payments régime can be established. In the course of the session, the Group noted, discussed and made suggestions on the progress and orientation of the technical study on the possible introduction of such a régime which the secretariat had been recommended to make under the terms of resolution 1 (I) cited above.

As can be seen from the report on the session, part of the work of the Group consisted in preparing the bases for the gradual co-ordination of the bilateral clearing accounts. By means of such co-ordination it is desired to secure more or less synchronized, if gradual, progress in the application of the

/principles adopted

principles adopted in this connexion by the clearing-accounts countries and listed in the above-mentioned resolution 1 (I). Although, according to the report, it was pointed out that the measures approved during the meetings of the Group might shortly come to be regarded as excessively cautious, especially if the agreement on the European common market helped to accelerate the advance towards the possible establishment of a regional market in Latin America, the Central Banks represented at the Montevideo meeting were in agreement on the following point. Since an absolutely strict bilateralism still governs payments relationships in the Latin American clearing-accounts sector, and since the course of action whereby a multilateral system may gradually be attained calls for careful studies on the problems and technical points that must be taken into consideration before passing from one stage to the next, it is wise to run no risk of prejudicing the ends pursued through the discouragement that too much haste might entail. The Central Banks also agreed that the establishment of multilateralism would yield more substantial results if at the same time the countries concerned co-ordinated their efforts on the plane of trade policy. To reduce the negative effects of the persistent disequilibria in certain trade channels on the regular conduct and expansion of trade, it is desirable, in the opinion of the Group, that trade agreements should make some provision for incentives to the growth of commodity trade. Pursuant to these guiding principles, as well as to the results of the secretariat's consultations with

the Central Banks and corresponding authorities prior to the meeting, a series of resolutions was adopted.

Resolution 1 submits to the Trade Committee, along with certain recommendations to the clearing-accounts countries, a draft standard payments agreement. This is a model or pattern for bilateral instruments. It would serve as a guide, in so far as it was approved by the Governments applying compensation practices, for the establishment of uniform bases for payments relationships between pairs of countries, and would thus facilitate the future integration of each bilateral account in a multilateral system. For illustrative purposes, the agreement specifies the type of payments deriving from transactions between one of the parties and a third country with which it maintains an account, that could be included, if it were so agreed, within the bilateral clearing arrangement concerned. An important clause in the model agreement relates to the application of the principle laid down in resolution 1(I) of the Trade Committee, on the subject of equal quotations for units of account and convertible dollars, for the same operations. The aim of this is to facilitate the transfers - voluntary or automatic, as the case may be - envisaged in resolution 1(I). The report states that the extent to which such parities are observed will influence the enlargement of the scope of the agreements, and, therefore, the degree of interest aroused by the idea of multilateral transfers. Again, the draft standard agreement envisages regulations to be applied within

/the bilateral

the bilateral mechanism to payments deriving from the transformation of raw materials produced in the territory of one of the parties or of a third country, to supply others in the same region. As the necessary adjustments are made to adapt the agreement to each trade channel, the Group felt that trade relations would reach a phase of greater flexibility, which would be favourable to their expansion.

There is a consideration of basic importance connected with the standard agreement. Most of the clearing-accounts countries seem to think any substantial improvement in their convertibility prospects unlikely within the next few years. Consequently, the reform of the extant agreements on the basis of uniform rules, and the resultant transfers of units of account from one account to another, would provide a means - perhaps the only possible one in present circumstances - of beginning to break down the existing bilateral barriers. Hence importance is attached in the Group's report to the extent to which Governments take the model into account when recasting their clearing agreements or negotiating new ones.

Operational system

Payments agreements usually, of course, contain clauses empowering the Central Banks to conclude agreements as to their operational system. At the present time such arrangements are widely dissimilar. The difficulty of concerting them, on account of the differences between the banking practices prevalent in each country, has sometimes delayed the putting of

/such instruments

such instruments into effect.

To facilitate the attainment of the ends pursued through the standard payments agreement, the Montevideo Group prepared as a model a supplementary set of regulations for its operation. Apart from aiming at the standardization of terminology, the model establishes methods to be followed in relations among the Central Banks and between these and the private banks, with respect to inter-Latin American trade operations through clearing accounts.

Exchange of data

The Group deemed it advisable for the exchange of data agreed upon by the clearing-accounts countries (resolution 1(I)) to be organized on comparable bases, in such a way that it would be possible to ascertain not only the current balance in any one account but its possible short-term evolution. On the basis of a scheme given in detail in resolution 2 adopted during the Group's first session, the exchange in question will be initiated as from the beginning of the second half of 1957. It will consist in the compilation and distribution of certain data which each of the clearing-accounts countries has declared itself prepared to supply forthwith, in accordance with its own particular accounting method. As from the beginning of next year, the supply of data will be increased, in conformity with a common method of registration, also recorded in the resolution.

The Group unanimously requested the ECLA secretariat to accept responsibility for the centralization and distribution of

/the data,

the data, month by month, the possibility being left open that at a later date the final allocation of this function should be studied with the assistance of the secretariat itself. When this request was formulated it was pointed out that the secretariat needed to know the figures for real payments registered month by month in the accounts, in order to continue the technical study recommended to it by the Trade Committee on the possible establishment of a multilateral régime. Thus the exchange of information would serve several purposes. It would constitute the initial phase of practical collaboration between Central Banks, with a view to the progressive co-ordination of the clearing accounts system; it would open up the possibility of effecting the transfers of balances envisaged in resolution 1(I) of the Trade Committee; and it would facilitate the regular compilation of the statistics required for continuing the study of the multilateral system. In this connexion, it was also recalled that the secretariat had already been receiving such statistics from the Central Banks since January of the current year. For all these reasons, and to avoid delay in the exchange of data, the secretariat, on being consulted by the Group, gave a favourable reply, agreeing to act provisionally as an agency for the centralization and distribution of the information in question.

But it was placed on record in the report that the carrying out of any transfers of balances shown to be possible by the monthly statement summing up the data submitted would remain in

/the hands

the hands of the Central Banks, which would also make the proposals and attend to the formalities relating to each transfer.

Technical study on the multilateral system

In its report, the Montevideo Group expressed its approval of the lines along which the secretariat was carrying out the technical study on the establishment of a multilateral system which the Trade Committee had recommended that it should undertake. The Group declared that the experience that would be acquired during the next few months in the practical application of the resolutions of the Montevideo session would in itself afford valuable guidance in the analysis and preparation of the formulae ultimately adopted.

I should like to add a brief informative statement on the study in question, on which the secretariat is now engaged, pursuant to the relevant resolution and to the suggestions formulated in the course of discussion at the first session of the Trade Committee. For previous studies of this kind, valuable as they were, and carried out by high-ranking international organizations or their members, almost the only statistics available have been those deriving from the trade balance, which are often little representative of the real payments effected within the accounts. Sometimes the positive or negative sign of the annual balance on a clearing account is transposed in the corresponding trade balance. In order to acquire more satisfactory elements of analysis, the secretariat not long ago compiled

statistics for the real receipts and expenditure through the accounts over the last three years. If these statistics are compared with the trade balance figures and examined in the light of the amount of the reciprocal swing credits, a preliminary analysis would seem to indicate that in some cases it would have not been impossible, by virtue of the subrogation of debit and credit positions to which a multilateral system gives rise, to effect multilateral transfers of balances. Apparently these would have been carried out within shorter periods than are required for the compensations through time which are de facto the current practice. But, both because three years is not long enough for a study of this kind, and on account of other circumstances, the statistics compiled do not yet allow valid conclusions to be established as to the favourable or unfavourable prospects for the functioning of a possible multilateral system. It also remains to be seen whether the transfers of balances would or would not lead to specific countries' accumulating units of account for which there would perhaps not be sufficient use within the region. This might conceivably be avoided if the maintenance of parities drew into the clearing system those payments for goods and services which at present are liquidated outside it. From all this it can be inferred that the technical study is at a preliminary stage. The secretariat, assisted at the opportune moment by the specialized international agencies, and following the course indicated in this connexion by the pertinent resolution, will go on with the study during the

/next few

next few months. For its continuance, as has already been stated, useful suggestions have been received from the Central Banks Working Group which met recently in Montevideo.

Information document N° 39

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh session
La Paz, Bolivia, 15 May 1957

STATEMENT BY MR. JEAN ROYER, REPRESENTATIVE OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT), BEFORE COMMITTEE I, ON 22 MAY 1957

In the course of the general discussion, many speakers have alluded to the role that the GATT has had to play in connexion with the treaty constituting the European Economic Community, and have voiced the opinion that the possibility is open to the Latin American countries, whether they have or have not acceded to the General Agreement, of resorting to the GATT in order to give effective expression to their points of view and defend their interests as exporters to the Continent of Europe. Perhaps it may also be of interest if I briefly indicate to the members of the Commission the conditions in which the European market was considered by the GATT and the points on which the Governments participating in the Agreement will have to make a pronouncement in the relatively near future.

When the second session of the GATT was held in the autumn of 1956, the Governments of Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands officially communicated to the Contracting Parties of the GATT their firm intention of implementing, within relatively short periods, an economic integration project, in conformity with the terms of article XXIV of the General Agreement. They also engaged to present the treaty which was the outcome of their negotiations, after it was signed but

/before it

before it was ratified.

In accordance with this commitment, the text of the Treaty, which had been signed on 25 March of this year in the Capitol at Rome, was officially transmitted to us on 18 April, and before that date a sufficient number of copies was sent to us to enable the Governments to study the document and the GATT agencies to transact the formalities stipulated in such cases.

The Committee of Intercession, which fulfills the function of the Executive Committee of the GATT, met without delay, from 24 to 27 April. This session was attended by representatives not only of the 18 members of the Committee but also of almost all the other Contracting Parties, many of whom asked to be allowed to form part of the Committee for purposes of studying the common market Treaty. A large number of observers for countries not members of the GATT and for international organizations such as the United Nations, the Organization for European Economic Co-operation, the European Coal and Steel Community and the Council of Europe, were also present.

The reading of the Treaty clearly showed that the creation of the European Economic Community definitely transcended the bounds of a mere customs union. The Treaty contains 240 articles, of which only 47 relate to problems of international trade. The remainder stipulate the conditions which are to govern the free movement of persons, services

/and capital

and capital within the Community, define the rules for the application of a common transport policy, fix the competitive principles admissible within the framework of the Community, and determine the fiscal and legislative measures of which the adoption seems essential for the achievement of economic integration. Other parts of the Treaty relate to the co-ordination of the economic and social policy of the States members of the Community, and establish operational conditions for a European Social Fund, the purpose of which is to improve workers' chances of employment in the common market and to guarantee the geographical and professional mobility of the labour force. Conditions are also laid down for the operation of a European Investment Bank, the essential mission of which is to facilitate the financing of projects which will contribute to the utilization of resources in the underveloped regions of the Community, and of those designed to transform existing enterprises or create new activities. The Treaty also provides for the incorporation of those overseas countries and territories which maintain special relations with Belgium, France, Italy and the Netherlands; in an appended convention of which the duration has been initially fixed at five years, the terms of their incorporation are precisely indicated. Lastly, the Treaty defines the powers of the institutions of the Community, that is, the Assembly, the Council, the Commission and the Court of Justice. In this connexion it should be noted that the Commission is responsible for establishing all useful links with the organs of the

/United Nations,

United Nations, of its specialized agencies and of the GATT.

Obviously, the GATT, in whose Constitution the value of liberalizing trade through a more intensive integration of the economies of interested countries is recognized, could make no pronouncement on those clauses of capital importance which did not directly relate to trade with the other member countries. Nevertheless, as the constitution of a customs union among the six countries and the incorporation of the overseas countries and territories imply an infringement of the most-favoured-nation clause, which constitutes the very basis of the trade relations conducted within the framework of the General Agreement on Tariffs and Trade, the GATT has the right and the duty to request that the offending clause be brought into line with the conditions laid down in article XXIV of the Agreement, or that, at least, it be made the object of a valid decision properly adopted by the organization in conformity with other provisos of the Agreement.

The Committee of Intercession has held a preliminary discussion with the representatives of the member countries and of the Interim Commission of the common market and Euratom, the constitution of which had been decided upon by the six signatories to the Rome Treaty. This first exchange of views has made it possible to obtain definitions and explanations of great practical value as to the meaning of certain clauses in the Treaty and the probable direction of the policy which the institutions of the Community will adopt with respect to third

/countries. The

countries.

The discussion also enabled the representatives of the Governments members of the GATT to inform the six countries and the Interim Commission of the Community of the points in relation to which their Governments, after a preliminary examination of the text of the Treaty, harboured some doubts, and as to which they would request that the Governments of the six countries and the institutions of the Community gave precise information or accepted clearly-defined commitments.

The Committee of Intercession adopted a series of measures. It requested the secretariat to send to all the Contracting Parties the summary records of the discussions and the relevant background documents transmitted to it by the Interim Commission of the European Economic Community. It also invited the Governments of its member countries to present before 31 May the questions they wished to raise with the Interim Commission as to the clauses of the Treaty or their application. These questions will be compiled by a small Committee and sent to the Interim Commission. The explanations given by the Interim Commission before 15 July next will be transmitted to all the Governments members of the Agreement. The Committee of Intercession will meet again and will hold further discussions, after which it will recommend to the Governments the procedure they should follow in order that a thorough study of the Treaty may be made at a plenary meeting of the Contracting Parties to be held next October at latest. In view of the interest

/attaching to

attaching to this meeting, many of the Governments intend to send, as Chairman of their delegation, their Minister of Foreign Trade.

I should add that one of the reasons why the Committee of Intercession adopted the procedure I have just summarized was that the six member States, under article 234 of the Treaty, expressly recognized that the duties and obligations deriving from agreements concerted before the entry into force of the present Treaty, between one or more member States on the one hand, and one or more States not signatories to the Treaty on the other, are not affected by the provisos of the present Treaty. It has been pointed out that the purpose of this clause is to cover multilateral agreements, such as the GATT and the OEEC, to which the six countries are parties, as well as the bilateral agreements which may be in force between some of them.

The representatives of the six countries likewise made it clear that if the Treaty had to be ratified by their Governments before the session of the GATT, the legal scope of article 234 of the Treaty could not be modified.

While they consider that no clause in the Treaty and none of the appended conventions is incompatible with article XXIV of the GATT, under which a customs union can in certain conditions be established or a provisional agreement concerted with a view to the creation of a union of this kind, the six countries have recognized that it is for the GATT to determine whether the conditions stipulated in article XXIV are fulfilled. This will

/be specifically

be specifically considered at the session of the GATT. The resolutions adopted by the GATT in this respect will be valid only with respect to the commitments contracted by virtue of the Agreement, and obviously could inpose no compulsory obligations on countries which are not members of the GATT. Nevertheless, the experience of the European Coal and Steel Community has shown that the decisions adopted by the GATT have inspired the agreements concerted between the Community and such Governments as have concluded bilateral or multilateral pacts with the countries members of the Community. Thus it is that the decision adopted by the OEEC reproduces almost word for word certain essential passages of the resolution of the GATT.

Furthermore, the representatives of the six countries have stressed that in many respects the text of the Treaty gives proof of great flexibility, and grants a great deal of freedom of interpretation to the common agencies of the Community. The Committee of Intercession shares this point of view, and has reached the conclusion that close collaboration should be established between the agencies of the Community and the GATT, in conditions analogous to those currently prevailing in relations with the European Coal and Steel Community. The aim of this would be to avoid misinterpretations as to the compatibility of the policy adopted with the stipulations of the GATT.

Although I have no wish to enumerate these stipulations in detail, I think it will be useful to recall the most important.

/The incidence

The incidence of the common tariff should not generally be higher than that at present affecting imports in the various countries of the Community; and other restrictions should not be more severe than those in force in these same countries.

Apart from the foregoing general provisos, it is stipulated that when the existence of the tariff implies an increase in a consolidated duty, the new duty can come into force only after negotiations with the countries concerned. Should the negotiations not be successful, the country whose interests are prejudiced by the introduction of the new duty can withdraw tariff concessions of equivalent value.

The abolition of duties and restrictions must be applied to almost the whole of the commodities traded by the countries of the Community - in other words, the customs union must be applied both to agricultural and to industrial products - and should be effected within a reasonable space of time and in conformity with the programme previously transmitted to the GATT.

Lastly, the Treaty does not modify such preferential treatments as may have existed before it was concluded; they can be modified only by means of negotiation with the interested countries. The text of the Treaty itself contains explanations which will facilitate the work of the GATT in relation to these points; nevertheless, it should be pointed out that in connexion with some of them - as, for example, the fixing of the duties applicable to a certain number of commodities - the six countries have reserved the right to negotiate the amount of

/such duties

such duties among themselves before the first phase of 4 years comes to an end, and have laid it down that, should agreement not be reached, the fixing of these duties may be postponed for several years. The text of the Treaty is also somewhat vague with respect to the particular provisos that will be applicable to imports of certain agricultural products during the provisional period and even later.

In relation to such points as cannot be cleared up by the time the GATT has to make a pronouncement, this Organization will probably adhere to the principle that the purpose of the establishment of a custom union should be to facilitate trade among the members of that union and not to hamper its trade with the other Contracting Parties.

I think it is hardly necessary to refer to the points to which the Committee of Intercession of the GATT devoted particular attention, since the representative of the United States, when he spoke during the general discussion, drew attention to the main questions that we shall have to study. The questionnaire which we shall shortly transmit to the Interim Commission of the Community may possibly embody other points not yet indicated by the Governments.

As the members of the Commissions will readily understand, the procedures initiated vis-à-vis the GATT are defined under the terms of the agreement concerted in 1947; they therefore have a very precise juridical character, and the decisions which the GATT will shortly take will determine equally

/precisely the

precisely the duties and commitments of the six countries and of the other Contracting Parties after the establishment of the European Economic Community. The study of this problem has been undertaken in an atmosphere of sumpathy for the singularly praiseworthy objectives of the six signatories of the Rome Treaty, but it is clearly evident that the favourable reception accorded to this bold and unprecedented enterprise by most of the other Governments members of the Agreement will not prevent them for considering with the greatest care and impartiality the possible effects of this achievement on the interests of their export trade with the six countries, in view of the guarantees they obtained on signing the General Agreement on Tariffs and Trade.

According to our rules of procedure, all the countries signatories to the final act of the Havana Conference are entitled to send observers to the meetings of the Contracting Parties; these observers can participate in the discussion, but are not empowered to vote. With the exception of Argentina, I believe all the Latin American countries signed the final act; as far as Argentina is concerned, some years ago a resolution was adopted authorizing it to send an observer to our meetings. I hope that the countries which are not yet Contracting Parties of the GATT will take advantage of their rights as thus acknowledged and will unhesitatingly take part in our work. They will thus see for themselves that the interests of third countries are duly borne in mind, and that

/the procedures

the procedures applied in our organization are efficacious and conducive to practical and equitable solutions.

Information Document No. 40

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session

La Paz, Bolivia, 15 May 1957

NOTE ON THE REPERCUSSIONS OF A EUROPEAN COMMON MARKET ON INTER-LATIN AMERICAN TRADE, PRESENTED TO COMMITTEE I BY MR. RITO RAUL VILLALOBOS OF THE MEXICAN DELEGATION, ON 21 MAY 1957

The Mexican delegation has read with interest the note prepared by the secretariat on the possible repercussions of the European Common Market on Latin American exports. As is known, the note in question was prepared by the secretariat in compliance with the offer it made during the first session of the Trade Committee.

What has been said by ECLA and the impressions gathered during the present session and from other sources show that the constitution of the European Economic Community has made progress. In fact the signing at Rome during March 1957 of the Treaty whereby this Community was constituted marks the most important advance in favour of the European Common Market. Perhaps the world will soon know of the ratification of the Treaty by the parlaments of the six countries which make up the European Common Market and, with this ratification the Treaty will immediately be put into force.

Apart from the common market, we know that in Europe plans are under way for the establishment of a free trade zone among the OEEC countries and that in the Far and Middle East decided steps have been taken for the establishment of similar bodies.

/As has

As has already been stated in these discussions, the Treaty signed at Rome by the European Community Countries provides for the gradual elimination of tariffs and other restrictions to multilateral trade, as well as the inclusion in the common market of associated overseas territories of the Powers which have signed the Treaty.

In this hall we have listened to representatives and observers expressing their points of view on the possible repercussions of the European Common Market on the Latin American economies. France and Western Germany, among other countries, have been quite optimistic in this respect, while most of the Latin American representatives who have spoken on the subject have shown their apprehension regarding the possible effect of the European Common Market on Latin American countries as exporters of commodities which compete with those of the countries members of the European Community.

The Mexican delegation wishes to express its concern with regard to the European Common Market. In its opinion, the possible repercussions of the European Common Market on Latin American trade with other areas should be a matter of constant study for ECLA. Likewise, the Mexican delegation considers that ECLA, in its surveys, should suggest to member countries the most advisable measures to protect their interests in relation to the European Common Market, in a genuine spirit of international co-operation.

As the Chairman of our delegation already stated, when speaking at the second plenary meeting, a closer relationship

/between ECLA

between ECLA and other regional commissions will undoubtedly prove very beneficial, particularly with respect to the study of the operational characteristics of the common market in Europe and in other areas.

The Mexican delegation wishes to congratulate ECLA on its efforts in preparing the note already mentioned.

Information Document No. 41

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session

La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. P.H. ZIGDERVELD, OF THE NETHERLANDS DELEGATION, IN COMMITTEE I, 22 MAY 1957

The Netherlands delegations is indeed pleased to note that the agenda includes a discussion on the European economic community, the Treaty on which was signed at Rome on 25 March between the Governments of Belgium, the Federal Republic of Germany, France, Netherlands, Italy and Luxembourg; this item offers us the opportunity to make known clearly the significance of the European common market, not only to the member countries, but also its extraordinary importance in the development of economic relations the world over.

The discussions have been excellently introduced by the report by the ECLA secretariat on possible repercussions of the common market on Latin American exports.

The Netherlands delegation takes this opporunity to make some observations on the significance of the Treaty in the field of both general and economic policy and also to clarify certain points which are of direct interest to the Governments represented at this conference. In order to see this Treaty in its true perspective, we must first consider the political concessions which are the stimulating force making its creation possible. The political aims of the six members are to establish a deep and enduring relationship

/of common

of common interest between them. The economic and political rivalry which has for centuries divided the old world, and which on so many occasions led to conflicts which have dragged not only Europe, but also the whole world into bloody wars, must be eliminated. If we are successful in the execution of this plna, then it will forster peace not only in Europe, but in the whole world, and this is naturally important to the countries of the Western hemisphere.

In the economic field the Treaty aims at the formation of a wide common market by eliminating the obstacles at present hampering the free movement, not only of goods, but of people, services and capital, which would logically open the road for a new and dynamic development of the economy of the member-countries, and, it is to be hoped, lead to an improvement in the standard of living and welfare of our people.

The Community will fix a common tariff for trade with third-party countries, to be called the "foreign tariff", and a common trade policy will also be established.

After the signature of the Treaty, the press of some countries showed some apprehension, thinking that the Community will move towards protectionism, and a policy of self-sufficiency towards third-party countries, thereby seriously damaging the traditionally good trade relations which exist today.

The delegation of my country wishes to declare with considerable emphasis that the six member countries have no

/desire to

desire to establish a self-sufficient Community which would attempt to attain economic independence by eliminating imports from other countries.

On the contrary, it may be hoped that the accelerated development of the economy and the increased prosperity within the Community will logically lead to increased imports of raw materials, intermediate and finished products. As a consequence, the activity of the European Economic Community, instead of being a hindrance, will constitute a stimulating factor in the development of world trade.

It has also been said, as mentioned in the report of the secretariat, that the level of foreign tariffs of the Community will be an obstacle to certain imports from third-party countries, and in this connexion I would like to say that for certain articles the tariffs will in fact be somewhat higher than at present in some of the participant countries, such as Benelux and the Federal Republic of Germany, but on the other hand they will be much lower than the present import rates in France and Italy.

Furthermore, we must not forget that the new tariffs will be introduced very gradually, and will only take full effect at the end of the transitory period, which will last some 12 to 15 years.

The small initial changes in present tariffs for imports from third-party countries will not be made until the end of the first stage, that is, 4 years after the entry into force

/of this

of this Treaty. Now, assuming that it enters into force about 1 January 1958, the first changes will not occur until the end of 1961, while the definite foreign tariffs will come into effect about 1970 or 1973.

This procedure means that the countries of the Community and their trade relations with other countries will have time to adjust themselves slowly to the gradual changes, so that serious disturbances in general trade are avoided, and there is also the possibility that, in the interim period, certain modification may be made in the definitive tariffs before their introduction, through tariff negotiations based on mutual concessions.

Finally, may I call the attention of the delegations to article 25 of the Treaty, which opens wide possibilities for establishing tariff conditions within which imports may be made from third parties at lower tax rates, or even free of all import duties. The great export interests of the Latin American countries have been specially considered in the protocol referring to tariffs conceded to the Federal Republic of Germany for imports of bananas, as also in that for Italy and the Benelux countries in respect of raw coffee imports; these protocols will from the outset protect Latin American exports of such products to the countries of the European community.

In view of these facts, my Government believes that the common market will not lead to the elimination or reduction

/of the

importance of third-party countries within world trade; on the contrary, it may be hoped that the volume of trade of these countries with those of the European Common Market will tend to increase.

These hopes should not be affected by the fact that the six member countries have decided to include their overseas territories in the common market, since such an association has its raison d'etre and justification in the interest of the member countries in developing these "under-developed" areas. This association must be regarded as an express desire on the part of the countries mentioned to contribute to the growth of prosperity of the people through joint financial aid. To this end, the six countries will all contribute to a Common Fund which will have the specific object of providing resources for the accelerated development of their overseas associates, in the conviction that joint action will be more effective than if each of the countries looked after its own territories. Within this framework there is also the preferential treatment which will be accorded to the overseas territories within the common market, the main object being to strengthen and guarantee the continued development of their economy.

In fact, this policy conforms precisely to the efforts which the United Nations is making to develop prosperity in the under-developed countries, and for this reason we hope that it will be well-received by this conference, which is part of the United Nations.

/Since the

Since the territories under discussion are mostly in an early stage of development, it may be assumed that it is not very likely that they will occupy a prominent place in the common market in the near future as traditional and main suppliers.

In conclusion, I would like to stress an important aspect which makes the common market treaty different from all previous agreements in the field of economic co-operation. It is the fact that all important decisions on community policy, its internal relations and those with third parties, have all been confided in common institutions. These, when making decisions, will of necessity have to take into account the justifiable interests of all the other countries, especially as regards existing international economic co-operation organizations, which inflexibly link the member countries.

For this reason, and in view of what I have said, the Netherlands Government expresses its profound faith that the European Economic Community will be acclaimed by all countries as an event which will benefit the peace and prosperity of the whole world.

Information document No. 42

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session

La Paz, Bolivia, 15 May 1957

STATEMENT BY MR. RAYMOND POUSSARD, MEMBER OF THE FRENCH DELEGATION, IN COMMITTEE I ON 23 MAY 1957

At the close of the statement which he made on behalf of the Governments of the six countries of the European Economic Community, Mr. Buron mentioned that the delegations of France and the Netherlands were prepared to supply any further information for which they might be asked during the discussions of Committee I. Consequently, I preferred not to speak until all the other delegations had done so.

As the delegation of Chile pointed out, the six sovereign nations concerned had a perfect right to form a European community. Moreover, in the present assembly no-one has questioned the actual principle underlying the creation of this organization. Nevertheless, some doubts seem to have been aroused by the incorporation of the dependent overseas territories of these six countries. The territories in question, as Mr. Buron remarked in the course of his statement, are an integral part of the countries concerned. As regards the French territories, they are represented in the French Parliament in exactly the same way as the Department of metropolitan France. It would have been all the more unpardonable to exclude then from the Community, inasmuch as they are under-developed areas. It was not only the right but the duty of the six countries to let them take advantage of the benefits which the Community is expected

/to yield.

to yield. To act otherwise, would have been to violate one of the principles of the United Nations Charter.

It is common knowledge that the right to form an economic community carries with it one restriction for the six countries concerned; they must respect their international commitments, and, specifically, those with the General Agreement on Tariffs and Trade. The six Governments are firmly convinced that they have disregard non of the GATT's stipulations; but only that organization is entitled to make any pronouncement on the matter. Hence they willingly submitted to the procedure at present under way, the stages of which were explained yesterday by the representative of the GATT.

So much for the juridical bases of the Community.

I should now like to refer to the policy of the members of the new organization. If I have understood the words of some of the delegations aright, this policy constitutes the main preocupation of the Latin American countries. It is undoubtedly a topic of major importance, since the destiny of trade, in the first place within the Community and secondarily between it and third countries, depends upon the greater or lesser degree of liberalization imparted to their trade policy by the six countries of Western Europe.

Despite the fact that they have not openly expressed their uneasiness, some delegations seem to regard the creation of the common market as a reflection of aspirations on the part of the nember countries towards autarchy. In reality, far from wishing to make themselves independent of the rest

/of the

of the world, the six countries have no other aim than to break down the prejudicial barriers between them and bring about an improvement in their productivity and, consequently, in standards of living and employment. As Mr. Royer declared, it is a matter of facilitating trade between the members, not of causing a deterioration in trade between the Community and non-member countries.

The primary intention of the countries members of the community is to pursue a liberal trade policy, that is, to contribute, on lines compatible with common interests, to the co-ordinated development of world trade, to the gradual abolition of the restrictions affecting it and to the reduction of customs barriers. This implies in the first place that trade within the common market will be exempt from tariffs and quotas. Hence, in the second place, relations with third countries will gradually be co-ordinated so that, once the transition period is over, a common foreign trade policy can be established. But this common policy will be developed, as is stipulated in the Rome Treaty, within the framework of the international economic organizations. It will therefore have to take into account those international commitments by which the members of the community are already bound, and refuse to recognize restrictive measures in conflict with such commitments. Thus, the aim of the six countries, as stated in article III of the Treaty, is not to bring their common import policy into line with the one imposing most restrictions, but to standardize their schedules for the liberalization of trade with third countries <u>at the highest possible level</u>.

/This shows

This shows that the common market is not a closed enterprise, isolated from the outside world, since the spirit in which the member countries approach their relationships with third countries envisages increasingly liberal trade regulations.

Apart from this, the joint manifests appended to the final act signed on 25 March 1957 expressly states that the six Governments, anxious to share with other countries the prospects of expansion offered by the creation of the Community, declare themselves prepared to conclude agreements with other countries whereby the co-ordinated development of trade as a whole can be ensured.

I will further recall that negotiations have already begun between the six Governments and those of several other European countries with a view to the creation of a free trade zone. There are even some among the latter that are seeking ways of establishing closer ties with the community.

The liberal tone of the common foreign trade policy of the member countries is finding its first expression in the field of customs tariffs. By its very nature, the common market compels the member countries to establish a common customs tariff for third countries. Broadly speaking, the intention of the six countries is to shape specific agreements in the future which, are aimed, on a basis of reciprocity and mutual benefits, at fixing customs duties below the general level that might be considered reasonable in view of the establishment of their own customs union.

Furthermore, in the actual drafting of the Rome Treaty

/the six

the six Governments bore in mind the interests of third countries. They were careful to respect the traditional ties linking each of them with the countries in question. Although they are fully convinced that the development of economic activity within the Community must bring in its train an expansion of trade with third countries and consequently an intensification of world trade, they also know that such results cannot be obtained before a certain time has elapsed. They have therefore made provision for tariff quotas, during the transition period, for products of special importance to Latin America, such as coffee and bananas. Consequently, only when the establishment of the common market has rendered possible the real development of standards of living and consumption in the six countries, will Latin American exports be subject to the Community's external tariffs.

As the representative of Chile so rightly remarked, apprehensions, often groundless, are invariably aroused by every innovation. Some, therefore, will find these guarantees insufficient.

To them I will reply that the guarantees offered represent a minimum, and that we are sure that third countries will sell the Community much larger volumes of commodities that are envisaged in the tariff quotas. I would add that in some cases these quotas, which are global in character and therefore open to free competition on the part of third countries, may increase in terms of the increment in the consumer demand of

/the members

the members of the Community. Here I refer to article 15 of the Convention relating to the incorporation of overseas territories.

In more general terms, I should like to point out that if all third countries requested guarantees assuring them that their percentage share in consumption for every product with which they are concerned would be at least as high in the future as at the time when the Treaty came into force, the trade situation would be frozen at its present level, so that the establishment of such dynamic quotas would in effect culminate in the creation of a static position, and the common market would lose its raison d'être.

We have before us a text with whose complexity we are all familiar - the legal rights of the future -. It should not lead us to forget either present realities or the facts on which economic solidarity between the European and Latin American countries is based. This solidarity rests on two postulates, namely, movements of capital and commercial ties.

Some of yesterday morning's speakers voiced the fear that the financing of investment in the African territories might entail a scarcity of European capital available for investment in this part of the world. I should like to take this opportunity of recalling that the Convention on the incorporation of overseas countries and territories in the Community provides for the creation of a Development Fund which, for the duration of the Convention (that is, five years), will be supported by Government contributions.

Consideration must therefore be given to the proportional

magnitude of

magnitude of these contributions (500 million dollars in five years) in relation to the very substantial expenditure that Governments have already effected in overseas territories, to the public character of such capital, and to its utilization for social and economic investments of general interest, which might therefore be termed "non-profit-making" basic investments, - of a different type, that is, from those financed by European capital in South America.

In these conditions, can there be any fear that private capital will be channelled, so to speak, by the provisions of this convention? This would mean forgetting that private capital is invested where there are the best prospects of profitability, and the European countries can by no means suddenly give up the long-standing habit of investing private capital in this region of the world, with the satisfactory and encouraging results that we have observed in all the countries of Latin America.

On 18 April of the current year, Mr. Filippi, Secretary of State for the Budget, told all the Latin American Ambassadors in Paris that "there is no reason why our projects in Africa should cause a reduction of our investment in Latin America, which does not relate to the same fields, and which brings into play different forms of financing.

" Some Press articles have voiced the apprehensions which seem to exist in Latin America lest Europe turn its back on this market in favour of Africa. In actual fact, it would seem that there is room and to spare for investment

/in both

in both regions.

" Indeed, it must not be forgotten that the equipment problems which arise in Latin America are often much closer to those which European, and especially French, technique is accustomed to solving, mainly on account of the comparable size of markets.

" Moreover, French technique has proved on innumerable occasions not only that its standing is at the highest international level but that it unfailingly seeks to economize resources and devise original solutions. Furthermore, the culture underlying it constitutes an additional link with Latin America.

" This means that despite the difficulties which France is at present encountering in various sectors of its economy and of its finance, despite the new prospects opened up by the common market and the great African projects, it has not the least intention of loosening its economic bond with Latin America - quite the contrary."

In this connexion I should also like to note that even before there was any question of a common market and at a time when the flow of European capital towards Latin America was showing no signs of decreasing, capital from Europe and even from other parts of the world because interested in the projects for exploiting the wealth of the African continent, from the iron of Fort Gourand to the aluminium of Guinea, and from the manganese of Gabon to the petroleum of the Sahara.

/The six

The six countries of the community are industrial countries which need raw materials and whose requirements will steadily increase as their integrated economy develops. They obtain these raw materials not only from the African territories but from every part of the world, and especially from Latin America, with its vasts reserves and possibilities.

We need, therefore, to purchase from the countries of the region. Conversely, the European countries, whose industries are, for the moment, much more competitive than complementary, must seek outlets for their production in the newer countries. Obviously, these latter - and this is an idea which is familiar to us, thanks to the noteworthy studies of our secretariat - cannot pay us for these imports unless they possess the necessary financial resources which they can obtain by means of sales to Europe. We are, therefore, faced with an over-all economic situation created by the converging interests of the different parties concerned, and in our opinion nothing would be more dangerous than to be unable to see the wood for the trees.

As the Chief of the delegation of France remminded this assembly in his general statement, the industrialized countries should, in our opinion, help the newer countries and contribute to the improvement of their standard of living. It is the belief of the six signatories of the Rome Treaty that they have not transgressed this law of international co-operation. The prosperity of a region, as we were reminded yesterday, contributes in the long run to

/the prosperity

the prosperity of the world. From the creation of the common market we expect an improvement in the European situation, thanks to the rationalization and development of production. If, as no-one doubts, our enterprise is crowned with success, it will mean greater wellbeing for all, - for Latin America as for other regions.

Needless to say, this will be a long-term undertaking, and I wish to recall that only after ten years of European economic co-operation did the six countries decide to create this integrated community, which in its turn will require from twelve to fifteen years more to enter into full operation. Consequently, non-members of the community are not confronted by a fait accompli. Undoubtedly there will be tentative experiments, false moves perhaps, but it would be unfair to accuse us of wishing to take advantage of this delay, and of the flexibility of the mechanisms to be applied during this period, to inflict damage on the interests of other countries. On the contrary, the six Governments intend to utilize this flexibility and this delay for giving the clauses of the Treaty the interpretation best adapted to the interests of third countries, as they are revealed by the discussions at Geneva.

Far be it from us to deny that problems exist. No enterprise of the magnitude of the common market can be undertaken without encountering difficulties. But I want you to know that the six Governments of the Community are prepared to seek agreements with the other countries and with the GATT which will reduce to the minimum any adverse consequences that may

/over the

over the short term derive from their integration. Once the Treaty's conformity with this principle of justice is duly established and misunderstandings have been cleared up, as we have attempted to do on this occasion, be sure that a phase of collaboration will ensue which, with the goodwill of all, will bring the undertaking to a harmonious conclusion, to the benefit of the populations of both Latin America and Europe.

Such are the remarks I wished to make in reply to the comments formulated in the course of the discussions of our Committee. These suggestions have no other purpose than to shed a little light on certain aspects of the common market which, because of the complexity of the Treaty, may have seemed obscure.

I feel it would be difficult to carry the discussion any farther here. In accordance with the resolutions adopted at the last session of the Committee of Intercession of the GATT, this organization will provide an opportunity before the end of the year for all countries, whether they are or are not members of the GATT, to express their objections, their criticism and their doubts. The mechanism which has been adopted for this meeting seems to us the only one that will permit the comprehensive exchange and comparison of views that we all desire, and I can assure you that the six countries of the community will send their representatives to Geneva with the desire to collaborate with all their associates in the development of world trade.

Information document No. 44

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh session
La Paz, Bolivia, 15 May 1957

STATEMENT BY MR. EMILIO BARRETO, REPRESENTATIVE OF PERU, IN COMMITTEE II, ON 23 MAY 1957

The delegation of Peru, regarding the studies on analysis and projections of economic development presented by ECLA at this session as of great interest, would like to make brief reference to the part relating to the ascertainment of intermediate demand, which is vitally important for the appraisal of inter-sectorial demand for inputs, as well as for the formulation of any economic development programme.

A long-term development programme, whether sectorial or over-all, cannot be prepared without exhaustive knowledge of the structural factors of intermediate and final demand, and also of the inter-relationships between the different sectors of production, consumption and investment.

The elements which have frequently been used, in view of the degree of development reached in statistical analysis in these fields, are national income and the gross product.

As is well known, the gross product registers only final demand for consumer and capital goods and services, disregarding intermediate demand for inputs on the part of the various sectors of productive activity; similarly, national income shows only the participation of the factors of production, which, in the last analysis, will give rise to final demand.

These instruments of analysis fail to take into account

/an important

an important factor, i.e., inter-sectorial intermediate demand. It is this that characterizes and typifies the basic structural composition of a country's economy, especially for the purposes of the programming of economic development.

We therefore attach great importance to the analysis of the input-output matrix in the different sectors of productive activity, as a complement to the factors of final demand represented by the statistics and analysis of national gross product or expenditure and by national income.

In this connexion, the delegation of Peru, desirous of co-operating in the intensification of these studies, proposes to submit for consideration by the delegations the following brief study on the composition of the input-output matrix in Peru, which has just appeared in our last volume on National Income.

THE INPUT-OUTPUT MATRIX IN PERU

As a contribution to research on the inter-relationships of the various sectors of the economy and their bearing on economic development, we are presenting the 1955 input-output matrix for Peru.

Although the input-output theory was originally based on the Quesnay Table, it has been brought up to date, as is common knowledge, in the studies by Leontief, especially in his work on The Structure of American Economy 1919 - 1930, and in the Studies in the structure of the American economy carried out by members of the Harvard Economic Research Project.

This type of study has developed substantially in the main

/financial centres,

financial centres, and although in some of these it has reached only a preliminary stage because of the complexity of the economies of the countries concerned, it constitutes a significant element of analysis.

The aim of the input-output study is to present, under a proper system of classification, the elements of production and demand in the various sectors of the economy, and their inter-relationships, determining a balanced over-all system.

The input-output table or main matrix is constituted by a break-down of economic activity by sectors, the horizontal series expressing the total value of production in each sector and sales to the other sectors, and the vertical series indicating the distribution among the different factors of production of the total value obtained, or in other words, the total expenditure required to secure the aforesaid output of goods and services.

The characteristic of the input-output matrix is that it presents the basic inter-relationships of the economic structure and a complete picture of inter-sectional transactions, without the consolidations required by national product and income.

In the matrix, Peru's domestic production sectors have been broken down by eight groups, namely, agricultural and livestock production, mining, industry, services, business and trade, and miscellaneous and Government activities.

The total value of production in any one sector is constituted by intermediate purchases from other sectors, plus sales against final demand and the end-of-the-year inventory.

/Intermediate demand

Intermediate demand, which represents inputs, is made up of every activity's purchases from the others; and final demand, by final purchases on the part of the private sector and the State, by sales abroad (exports), and by the value of the final inventory. Thus analysed, the total value of production will be equal to the costs of raw material or "inputs", plus the value added by the factors of production, plus imports.

In this study the economy has been broken down only by the large main sectors to facilitate the presentation of the theory and the obtaining of general information on sectorial inter-relationships. The analytical tables for each of the component factors in every sector will shortly be published.

While the record of intermediate purchases includes the production sectors' purchases from one another, in final demand other autonomous factors are included, as is the case with purchases effected by the public sector.

From the technical point of view, the matrix is based on two equivalents, one representing a book and the other a technological value. For the book value, the point of departure is the principle that the aggregate sales of one sector must be equal to the aggregate purchases of the others; and the technological value, on the concept that the purchases of one production sector from others depend on the level of production of the buyer sector.

While in national income and the gross product what is registered is simply the value added and final consumer and investment expenditure, intermediate purchases being disregarded,

/in the

in the input-output matrix it is possible to assess the value of the raw materials consumed in the various sectors; the net value added, broken down by factors of production; and final demand for goods and services.

In the volumes on the National Income of Peru which we have been publishing, in addition to the series for national income and national gross product or expenditure usually given in other countries, the over-all and sectorial "Value added" tables appear. The latter are especially important for a knowledge of intermediate purchases together with value added, and were useful in preparing the input-output matrix.

While the input-output matrix is a valuable element for discovering the inter-relationships of the sectors of productive activity, it must be complemented, if a better understanding of the analysis of final demand by consumer and investment expenditure is to be obtained, with the break-down shown in the table for gross national product or expenditure, which represents final demand subdivided under the heads of consumption and investment.

By means of a comparative study of the input-output matrices for several years, deflated at constant prices, it is possible to appraise the trend of final demand, the composition of intermediate demand inputs, and the participation of the factors of production; it also serves as an instrument of analysis in the projection of economic development.

The input-output, national income and gross national expenditure tables are thus mutually complementary for purposes

of a better knowledge of the national economy, its inter-relationships and its development possibilities.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session

La Paz, Bolivia, 15 May 1957

STATEMENT BY DR. H.MAX, MEMBER OF THE CHILEAN DELEGATION, ON THE INTER-AMERICAN BANK FOR ECONOMIC DEVELOPMENT (BANCO INTERAMERICANO DE DESARROLLO ECONOMICO), 22 MAY 1957.

Before this Committee commences to discuss questions relating to the formation of the European common market and a similar market in Latin America, I would like to distract your attention for a few moments to make a short statement on a matter closely connected with the subject we are studying, and to which the Chilean delegation attaches the utmost importance.

On several occasions during this meeting you have heard mention of the Inter-American Bank for Economic Development. Mr. Washington Bermudez mentioned it in his address. The Chilean Ambassador stressed its importance, and another member of our delegation has referred to the Bank on several occasions. I know that some of the delegations have asked - "What does this bank mean?" In conversations I have discovered that ideas on the subject are not very clear, and it is for this reason that I have gladly accepted Dr. Raul Prebisch's invitation to make a brief statement on the matter.

I would like to make it quite clear, however, that I am not presenting the subject for discussion by this Committee, firstly because it does not appear on the agenda; secondly because it is still a preliminary project, to be discussed

/at the

at the Inter-American Conference of the Organization of American States at Buenos Aires in August next; and finally, because the project has been prepared by IA-ECOSOC and not by ECLA, although the latter organization has collaborated to a certain degree.

You all know that during the Meeting of Ministers of Finance at Rio de Janeiro in 1954, the Chilean delegation submitted a preliminary project for the creation of an inter-Latin American finance institution. There was considerable discussion on the subject of this project, and a resolution was finally adopted to the effect that a technical Committee would meet, consisting of representatives of Argentina, Brazil, Chile, Colombia, Costa Rica, Cuba, Haiti, Mexico and Venezuela, together with a specialist from ECLA, to prepare a final project. This Committe met early in 1955 at Santiago, Chile, and prepared a draft agreement for the creation of the Inter-American Bank for Economic Development.

What does this institution consist of, and what is its object?

The institution is an inter-American bank, that is to say, a banking institution in every sense. The project proposes a capital of 200 million dollars. More or less two-thirds of this capital would be subscribed by the Latin American countries, and it was thought that the remainder might be subscribed by the United States. A capital of 200 million dollars might appear somewhat low for an inter-American

/development bank.

development bank. This is not the case if it is used in the way I will explain later. In passing, I would mention that there are several other formulae for financing this Bank, with greater capital, but I do not wish to go into details of these at the present time.

As the name of the Bank indicates, its chief aim would be to assist Latin American countries in their economic development by financing projects, whose feasibility has been duly studied, and which offer guarantees in that they are reproductive investments - that is, investments which not only contribute to increased productivity in the countries, but also directly or indirectly create funds for transferring the service on the loans received.

The Bank could naturally use its own capital for this purpose. But that capital is relatively low, and if it were used exclusively for granting direct loans, it would soon be exhausted. Furthermore, in that case it could only grant short-term loans, so as to have a more rapid capital recovery. The Bank would therefore be authorized to operate in other activities, such as, for instance, endorsing loan documents granted to other financial institutions, preferably abroad, that is, by a kind of rediscount operation. But perhaps the most important Bank operations would be to offer its guarantee to investments made by persons or enterprises, private capitalists or foreign financial institutions. The guarantee would consist in ensuring faithful compliance with their

/obligations .by

obligations by the debtor countries as regards servicing and amortization. You will understand that in this way the financial capacity of the Bank would be greatly increased, and it would also render an extremely important service to the Latin countries, since its international character, free from unilateral political influences, could make a substantial contribution to increasing the flow of foreign capital into these regions.

I want to explain one thing. If the Bank were to lend some 100 millions of its capital, the service it was doing would not be very great. Its credit capacity would be very limited. But if it used those 100 million dollars as a guarantee for loans contracted by third parties, the volume of these loans could be considerably greater than the guarantee funds actually available. We could be sure, furthermore, that the existence of a financial institution of this nature would greatly increase the confidence of foreign capital in investment in Latin America. Each of the countries must naturally offer its individual guarantees, but we know quite well that foreign capital is very suspicious, and is not always convinced that these guarantees are sufficient and effective. The Bank of which I speak could make a great contribution towards the dissipation of these prejudices.

The project for an inter-American bank is today acquiring special importance in relation to the problems

/which we

which we are discussing at this session. Nobody denies the necessity for seriously considering the formation of a common market for Latin America, nor does anybody deny the great difficulties which must be overcome in its realization. But the common market alone could not operate satisfactorily without a financial centre, in the form of a development bank, whose object is to increase productivity, especially in under developed economies, by means of investments made through that bank.

We thus see that the agreement signed by the six European countries who wish to unite their economies in a common market also visualizes the formation of a European Investment Bank. Article 130 of this agreement describes the aims of the Bank as being to contribute, through the capital markets or its own resources, to a smooth and balanced development of the common market, in the interests of the community. To this end it will assist, through non-profit loans and guarantees, in the financing of projects in all sectors of the economy.

We see here that the projected European bank is based on the same ideas as those which I have just explained for the Inter-American Bank. A very important series of operations for this bank, which will have a capital of 1,000 million monetary units equal to the dollar, will be investments for which the bank will give its guarantee.

But the aim of the Inter-American Bank will not be

/limited to

limited to the encouragement of economic development. A new and most important function will be the need to form a financial centre which could act as a clearing house for inter-Latin American payments. During these meetings we have not discussed the problem of unpaid balances to any great extent; these often originate in the temporary inability of a country to meet its obligations for lack of foreign exchange. At times, however, these debtor balances become more than a temporary matter, and it has been said with reason that this in no way tends to encourage trade relations between the various countries. The Inter-American Bank, on taking up its duties as a clearing house, could do much to regularize this situation. Banking techniques make it quite possible for the Bank to give efficient help in removing obstacles preventing the debtor country from meeting its obligations. The Bank could be of inestimable service in this field.

The project prepared by the technical Committee was presented, through IA-ECOSOC, to the Governments of the American countries for their examination, and approval. Many of them expressed their approval; others showed indecision, and some, indifference. The United States from the start has adopted a very negative attitude, and this is quite understandable. The United States has had to make heavy contributions to the International Monetary Fund and to the International Bank for Reconstruction and Development; it has financed, and must continue to finance, the Export-Import Bank;

/it has

it has had to contribute to the recently-formed International Finance Corporation. The United States therefore believes that to participate in the financing of the Inter-American Bank would constitute a duplication of financial effort which should be avoided. An item in today's press confirms this attitude. In his message on mutual security, President Eisenhower stated that the resources of existing institutions were adequate to meet the effective demand (in Latin America), and that the creation of new credit institutions was therefore not justified, since greater progress could be achieved by the employment of existing institutions.

I repeat that this attitude from the United States' point of view is quite comprehensible, and it is beyond criticism. But the fact is that between 1955, when the Inter-American Bank project was presented, and today, the situation in Latin America has changed fundamentally. Six European countries with a population of 160 millions are uniting in the formation of a common market, and due to the existence of ECLA, Latin America, with an almost similar population, has reacted with most notable rapidity. The European agreement is barely two months old, and we are here to discuss the idea of forming a common market in the Latin American region. The idea itself is old, but the events in Europe have given it a new, strong impulse. We hope that it will be realized in the not too distant future.

But like the European common market, that of Latin

/America cannot

America cannot produce satisfactory results if it has no financial centre to develop the investments. This is the primary function of the projected Inter-American Bank for Economic Development. Added to this, there is another which I have already mentioned, and which is equally important; to act as a clearing house for inter-Latin American payments. These two functions, in spite of the contrary opinion held in United States official circles, amply justify the formation of this institution. We must also remember that however desirable United States participation in the Bank may be, the financial position of the Latin American countries today is such that the Bank could be formed, and financed with a considerable capital, without United States assistance. Be that as it may, we believe that in any case we could be certain that the United States, even though maintaining a negative attitude towards this institution, would not refuse financial co-operation by means of operations through the bank.

The idea of forming an inter-American Bank will be discussed at the next conference of the Organization of American States in Buenos Aires. It would be advisable that the conference should be well-informed of the results of the discussions at this ECLA meeting on the possibility of forming a Latin American common market. The formation of the Bank would be a first and important step towards the realization of this plan; for the common market, if it is to be established,

/the formation

the formation of the Bank would be an indispensible condition.

Gentlemen: although I prefer not to speak in the first person, allow me to mention the final portion of a report which I presented in February 1955 to the technical Committee which met at Santiago to prepare the Inter-American Bank project. I do this to show you that the ideas which we are discussing at this meeting were already in the air at that time.

The report said that there was no doubt the inter-Latin American financial institution held immense possibilities for the future in four directions:

(1) As a factor which might become decisive in the economic development of Latin America;

(2) As a financial centre for a possible Latin American Payments Union, related to the European Payments Union;

(3) As a type of central bank of the central banks in Latin America with the possible realization of an idea which has been discussed for more than half a century: the formation of a clearing currency common to all American countries, and finally

(4) As a truly important step towards the formation of a Latin American economic union.

That completes my statement on the proposed Bank. I repeat what I said at the beginning: my only intention is to give you some information on a subject intimately connected with the problems which we are studying at this ECLA meeting.

/I do

I do not offer the subject for discussion, and I must ask the delegates to accept this as final. I thank you for your attention.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED TO COMMITTEE I BY MR. G.G. HERNANDEZ, MEMBER OF THE VENEZUELAN DELEGATION, 25 MAY 1957

It is known that the aggregate income or demand of a country depends upon the relation of investment consumption and external factors, that is, the balance in current account in the balance of payments.

Let us see how the national product has increased in close relationship with the dynamic effect of the external sector.

In the external sector, that is, in foreign trade, Venezuela has increased its capacity to import, which has resulted as a dynamic element of the increase of per capita income, from an equal increase in exports.

Mr. Chairman, gentlemen: I should like to make an analysis of this phenomenon.

The very rapid development of Venezuela has occurred during the present century. Although the demand for our main export products in Europe and the United States has increased rapidly, Venezuelan production and exports have increased even more rapidly, as also the importance of the country as an oil supplier. The increase in production was largely due to the inflow of foreign capital, mainly from Europe and the United States. After the Second World War, Venezuela stood in an exceptionally strong position. The demand for oil increased considerably, and it could be traded under very

/favourable conditions.

favourable conditions. A new merchant fleet had been formed, foreign exchange reserves had been accumulated, and there were possibilities of new foreign investments on a large scale. During the major part of this period Venezuela enjoyed a favourable balance. In view of the increasing world demand for oil, and the exceptionally good conditions for Venezuelan production, this latter continued to increase, representing 96 and 95 per cent of our total exports in 1951 and 1952 respectively; although the increase in imports was greater, the balance continued to show a surplus. The 2,114 million bolivares of the trade balance in 1951 allowed us, as in previous years, to meet the considerable amounts transferred abroad by the foreign capital, which amounted to 932 million bolivares to the United States alone. Adding other services, total payments were 2,060 million bolivares in that year. Venezuela's trade balance came from trade with Europe and other Latin American countries, since with the United States there was a deficit which was greater in the first half of 1952 than in the previous year. Nevertheless, Venezuela's reserves continued to increase. The level of imports during 1952 was 6.7 per cent higher than the physical volume for 1951. In 1953, total imports reached 2,741 million bolivares, rising to 3,031 million in 1954, and 3,267 million in 1955. Consequently, it may be seen that imports in 1955 maintained with some fluctuations the rising trend shown during the period 1949-1955. The fluctuations were due to various factors

/arising from

arising from the dynamics of the oil trade, and certain external events.

As regards normal imports, it may be seen that in 1955 capital goods accounted for 1,922.02 million bolivares, or 64.94 per cent; consumer goods covered 1,020.46 million, or 34.48 per cent, and Government imports amounted to 17.15 million, or 0.58 per cent. From the beginning of the post-war period, Venezuelan imports reached tremendous figures.

Examining the 1949-1955 period, it is seen that iron ore exports, which commenced in 1951, increased comparatively more than the other groups - from 13.29 million bolivares in 1951 to 163.08 million in 1955, that is, twelve-fold. Exports of petroleum and its derivatives rose from 3,259.0 million in 1949 to 6,031.25 million in 1955, or by 85 per cent. The group "other ores" showed an increase of 47 per cent, by moving from 2.53 million bolivares to 14.56 million between the two years. The group "Agricultural and forestry", whose main items are coffee and cacao, increased from 79.53 million bolivares in 1949 to 161.07 million in 1955, or 102.15 per cent. In this connexion, it may be mentioned that exports in this group increased considerably between 1949 and 1953, when they reached the maximum, and declined during the past two years. Exports of industrial products also declined in value, although in 1951 they had shown a comparatively appreciable figure. The "fisheries" group, which had declined in the years before 1949, and up to 1953, recovered during the last two years, reaching its highest figure of the period in 1955.

/Venezuela's foreign

Venezuela's foreign trade has developed continuously since 1948, leaving a more favourable balance each year.

Taking the index of the volume of trade for 1948 as 100, that for 1955 has been 162.

Exports represented 58.3 per cent of trade in 1948, increasing to 66.2 per cent in 1955; if 1948 exports are given the index 100, the figure for 1955 is 184. Imports in 1948 represented 41.7 of total trade, and 33.8 in 1955. Again taking 1948 as 100, the increase is only to 131 for 1955. The reason for these figures is, as may be supposed, the great increase in exports, especially petroleum and iron; imports have not been able to equal these increases.

The balance of trade has always been favourable, and it may be noted that from 989 million in 1948, it had risen to 2,629 million in 1954, and to 3,142 million bolivares in 1955.

Since the geographical distribution of exports obviously is not the same as that of imports, Venezuela's trade balance with the various countries may show balances different both in sign and in magnitude.

Venezuelan policy of trade benefits is based on balanced distribution, if possible, amongst the countries, since any other system is without foundation. The ideal formula is that the movement of trade is balanced not only as regards the totals of one country with the rest of the world, but also as regards totals for pairs of countries. In practice it occurs, however - as in the case of Venezuela - that each country has capacity to export a few products, not one only, and on

/the other

the other hand needs to import a comparatively large number of types of merchandise from various sources. It is not entirely possible, therefore, that the country or region where the demand for exports exists is the same as that for the demand for imports, and different trade currents of trade therefore arise, leading to credit and debit balances.

Nevertheless, Venezuela's trade balance shows the progress of our foreign trade, and proves the tremendous development of our country, and the high standard of living and economic welfare which it enjoys today; the increase in exports has had a positive influence on the national income, which has increased to an annual gross rate of 7.5 per cent, that is, the income for 1956 was 12,146 million which gives a per capita income of 643 dollars, at 1950 prices.

ADDRESS DELIVERED BY THE REPRESENTATIVE OF THE NETHERLANDS IN COMMITTEE II

The delegation of the Netherlands, in its desire to give further expression to its Government's keen interest in the subject of technical assistance, would beg leave to mention a few points that will undoubtedly have a certain importance for the delegations present here.

We have noted with the deepest satisfaction the increase in the resources earmarked for work in Latin America in connexion with the expansion of the technical assistance programme, by virtue of which this region comes second only to Asia and the Far East, with 6,653,000 dollars out of the 26 million dollars available in all.

A change has taken place in the actual system of assistance, since at the present time the international expert plays a more active part in development projects, in public administration and in training programmes. This last factor is of vital importance, especially as far as local training is concerned, that is, training within the recipient countries themselves, and we consider that facilities for this purpose should be developed. Hence my Government has given thought to a supplementary system of assistance, as will be shown later.

In addition to local training, centres abroad which have long experience behind them and the services of specialists in certain fields at their disposal also make a considerable contribution to the training of technical experts. As cases

/in point

in point I might mention the institutes existing in my country, such as the International Training Centre for Aerial Survey at Delft; the Institute of Social Studies of the combined Universities of the Netherlands at The Hague; the International Study Centre for Agriculture at Wageningen; and the Course for Small-Scale Industry at Delft.

The Government of my country has shown that it recognizes the value of multilateral technical assistance as rendered through the United Nations and its specialized agencies; this appreciation finds expression in the form of contributions to the funds of the Expanded Programme of Technical Assistance, which in 1950-51 amounted to 400,000 dollars. This sum has increased to 874,000 dollars by 1957. In 1952, 105 Netherlands experts took part in the Programme, and by 1956 this figure had risen to 139, of whom 27 were assigned to Latin America.

Last year the number of fellowship-holders studying in Holland was 205, of whom 31 came from Latin America.

For purposes of organizing and directing the assistance programme a special office has been set up, under the name of the International Technical Assistance Bureau, which forms part of the Ministry of Foreign Affairs of the Netherlands. This institution keeps in constant touch with the Technical Assistance Administration and with the specialized agencies of the United Nations.

Since 1954 the Government of the Netherlands has also organized a further international technical assistance service by sending "junior experts" to work as aides to the "senior experts". The aim is obvious, and in our view extremely

/useful. For

useful. For how often does it happen that an expert living in the capital of a country has neither the time nor the opportunity to apply his projects in the field, while the country itself has no-one sufficiently highly specialized to form the necessary link between the expert and, for instance, a small industry, or farmers. In other words, when the expert has carried out a study and prepared a programme for the improvement of a given sector, he needs a young technical specialist who, on the basis of his programme and under his direction, can contact industrialists or farmers with a view to showing them how to put the expert's advice into practice. Otherwise, the result is that many good projects are filed away with no chance of being implemented, for want of technical experts in the field. At other times the expert may need data for his project which he has no time to collect; clearly, in a case like this also the availability of a junior expert may be of great value.

A case in point exists in Bolivia at the present time - that of a young Netherlands technical expert who has been placed at the disposal of UNESCO to help with the programme of the Andean Mission.

However, in other countries too there are already junior experts - young specialists who have received practical training in specific branches - working in the field of agriculture, public health, social wefare, labour organizations, education and public administration.

/This programme

This programme is financed at the expense of the Government of the Netherlands in so far as travel expenses and remuneration are concerned, while the Government of the country receiving the assistance in question defrays only the costs of the junior expert's subsistence allowance.

All this does not mean that the Netherlands wish to detract from the importance of multilateral technical assistance activities, of which my Government is a strong supporter, but that it has sought for some way of providing supplementary technical assistance, to which special priority will be given. In his capacity as assistant, a junior technical expert may be very useful, increasing the efficacy of the senior expert's work as well as expediting it. And, as I mentioned at the outset, the system has the great advantage that the junior receives training in the kind of technical assistance concerned and will in due course become another senior expert, who in his turn will train any juniors that may be sent out later. This is an excellent system for the training of new experts, who are becoming very scarce nowadays.

Another probability is that the junior expert may find a permanent position in the country where he has been working, and this is conducive to the growth of the technically-qualified and experienced population of the country where he takes up his residence.

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. ALBERTO LAGNADO, DIRECTOR OF THE LATIN AMERICAN REGIONAL OFFICE OF THE INTERNATIONAL LABOUR ORGANISATION AT THE PLENARY MEETING HELD ON 27 MAY 1957

On behalf of the International Labour Organisation, of its Director General, Mr. David A. Morse, and on my own behalf, I am pleased and honoured to bring to this assembly, and to each of its members, our warm and sincere greetings.

The ILO, as always, has followed the proceedings of this seventh session with interest, not only because of the world-wide prestige of the work of ECLA and the standing which it enjoys in the Organisation which I represent, but also because it works in a field where many of the concepts are common to those of the ILO. In fact, many of the factors, events, and even the means of action which govern economic development are closely linked with those of social progress. Economic development and social progress thus form a compound equation of mutual and reciprocal influences, which offer simultaneous and often identical situations, representing basically aspirations towards the same betterment of human welfare and happiness.

At the same time, as ECLA has so well stated in one of its reports presented to this session, the economic and social elements of the general development process must be studied jointly, so that from an over-all point of view the various problems they present may be examined with equal interest.

/One of

One of the common points of interest of ECLA and the ILO is the vast problem of labour, the essential element of economic and social development. This is amply justified, because the prosperity of a community does not depend only on the wealth of its natural resources or the abundance and variety of financial investments destined to develop those resources. It depends to a high degree on the contribution which can be made by the labour factor. This contribution, in turn, according to the belief of the ILO, is the outcome of an adequate proportion of labour, in terms of quantity, to the needs of productive activity; of the adequate availability of that labour in terms of time and place, and the capacity for a greater and more efficient yield from that labour in terms of quality.

The ILO dedicates its main and increasing efforts towards the solution of labour problems within a wide radius of action, which includes subjects such as the labour market, placing, full employment, professional training, wages, labour legislation as well as the human problems of economic development, technical progress, transformations of the economy, productivity and social security, to mention only a few of the more outstanding subjects.

In all these cases the ILO's future contribution may be wider and deeper, both in methods of approach and available technical assistance, and also in the actual nature of its tripartite organization, which permits close collaboration with Governments, employers and workers. This same characteristic is manifested in its annual conferences, which are highly representative world parliaments, where there is an opportunity to

/propound

propound principles and standards of social promotion of universal value.

Among recent activities carried out in collaboration with ECLA, two events may be mentioned: in the economic survey of the Argentine Republic recently completed by ECLA under a technical co-operation programme, the ILO was able to assist in dealing with the labour problem. The ILO also joined forces with ECLA, TAA, FAO and UNESCO in the development of the Central American Economic Integration Programme, which has made such notable progress during the past year.

The considerable economic development taking place in Latin America, with its consequent industrial expansion, requires co-ordinated and methodical work to deal efficiently with the complex questions which are arising, as well as to improve working and living standards, and to make possible the material and spiritual betterment of the people. With a clear realization of these questions, the ILO, at times through its own many services and at others in close collaboration with specialized international agencies, has been intensifying its activities by means of a wide variety of plans and projects in the majority of the countries, covering aspects ranging from research on social problems to technical assistance in vocational training, social security, productivity, statistics, labour legislation and administration, industrial safety and health, resettlement, community development, etc.

In certain special cases which have specific problems

/deriving from

deriving from a dense indigenous population such as that of Bolivia Ecuador and Peru, the ILO is promoting a joint plan together with several other international specialized agencies, under the name of the Andine Mission. This Mission, briefly, is trying to incorporate the indigenous population into the economic and social life of those countries.

A further period in the life of that magnificent institution, ECLA, is reaching its close. This conference has adopted new and promising guiding principles for stimulating the economic development of Latin America. I wish to congratulate all the delegations on the success achieved.

I must now express gratitude to this beautiful and fascinating country, whose Government and people have shown us such generous hospitality.

I cannot finish this brief address without assuring ECLA and each of the countries represented here that ILO is always ready and willing to offer at any moment its fullest co-operation in all the branches of its speciality.

Information document N° 50

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. MANUEL BRAVO, OF THE DELEGATION OF MEXICO, IN COMMITTEE IV ON 22 MAY 1957

My delegation has been particularly interested in reviewing ECLA's work programme, especially as it was aware that it is always wise and advisable to search one's conscience from time to time. Hence we shouldered the task of reviewing with the greatest possible care each of the subjects covered by the relevant background documents, attempting to visualize the whole series of projects and studies as an integral body of topics, ideas and aims directed towards a common goal - the economic development of Latin America. I should like to point out that apart from recognizing the usefulness of searching one's conscience, we have borne in mind and taken as points of departure every one of the speeches and suggestions to which we have listened at this session; they undoubtedly reveal a complete consensus of opinion as to the efficiency and understanding with which the secretariat has discharged the duties laid upon it by the Commission.

Thus, any remarks that I may make will derive from this main idea that the secretariat has fulfilled all its responsibilities, both from the over-all standpoint in relation to Latin America's economic development, and individually in connexion with other subsidiary matters.

/As I

As I was saying, the first task we set ourselves was to visualize the work carried out by ECLA in recent years, and the further undertakings scheduled, as a single whole, a set of items each of which must contribute to a general purpose. Our first desire was to follow the lists of projects in the various sections under which the programme has been classified. This proved impossible. We could not visualize the vast mosaic to which I alluded previously. We then, in pursuit of our ends, set up a framework within which it seemed to us that two co-ordinates of the problem should be plotted. On the one hand we considered that in conceptual terms the Commission can have only three concerns. The first, the most important, the ultimate and permanent goal, is constituted by the studies on the economic development of Latin America as a whole; and the second by the problem of foreign trade, which, if the economic development of Latin America largely depends, as the delegations seem unanimously to agree that it does, on its external economic relations, is the topic that comes second in lasting importance. Finally, under a third head may be classified matters relating to the factors of internal development; these correspond to all the functions fulfilled both in primary and in secondary and tertiary activities, each of which may have its own individual usefulness, but which acquire particular value as an integrated whole, in their close interrelationships. These factors of internal development might be listed as follows: first, problems relating to general policy

/and administration

and administration in connexion with the activities specified; secondly, the problems attendant upon programming these activities; thirdly, problems of financing; fourthly, labour problems; fifthly, those relating to raw materials; sixthly, those of equipment and processes; seventhly, productive activity taken in both its absolute and its relative senses of production and productivity respectively; eighthly, domestic market problems; ninthly, those of the external market; and, tenthly, all such services, especially statistical services, as are designed to assist the work of control and guidance by providing the necessary data.

To sum up, we feel that ECLA's work as a whole must be related to three major concepts - economic development, dependence on the external sector, and the evolution of sectorial economic activities considered from the functional point of view. To this list of concepts we would link another criterion of basic importance for ECLA's work. Whichever of these three topics is under consideration - economic development, foreign trade or the factors of internal growth - this fourth criterion relates in the first place to Latin America as a whole; secondly to zones; thirdly to countries; and lastly to activities. It would also be worth while, in our opinion, to relate this last head, that of activities, to the over-all picture: an analysis of activities in Latin America, activities by zones and activities by countries. We thus arrived at a kind of scatter diagram by means of which we

/compared the

compared the fields of action of the Commission, examining their scope in terms of the Latin American economy.

If this presentation were regarded as of a static nature, it would have the drawback of leading us, once we had asserted that the most important thing of all, in the long run and on a permanent basis, was the study of Latin America's economic development, into the mistaken notion that the Commission ought to concern itself only with such over-all studies, disregarding derived topics or always assigning them a lower priority. On the contrary, the whole significance of this treatment of the matter lies in its dynamic nature, which compares the concepts of the tasks undertaken with their scope, and at any particular moment enables us to select the one to which the greatest importance attaches for the attainment of the common objective. In other words, there comes a time when the country studies, because they give us a fuller and closer grasp of one aspect of global development, acquire major importance; they constitute the most immediately essential contribution to the perfecting of the forthcoming over-all studies which in turn represent the final goal. Moreover, it would be difficult to study the problems of the various countries without investigating economic activities by sectors, which thus become an integral part of the general topic.

I should like to call the Committee's attention to the fact that while this scheme establishes priorities from four standpoints, it is really only a working instrument whereby

/ to ensure,

to ensure, at any given moment, an integrated and methodical approach to studies which are in fact concerned with what is most important for the attainment of the final target.

What has ECLA achieved so far? A review of the background document shows that its work has in fact dealt with the high-priority topic of the three broad sectors of the Latin American economy, i.e., economic development, foreign trade and factors of internal growth. It has completed three studies, has fourteen pending and proposes to eliminate three others; that is, its current work programme of regional scope covers fourteen topics, as against four dealing with zones, six with countries and thirteen with activities. In other words, from the point of view of Latin America's economic development, ECLA has distributed its work programmes in such a way that practically 50 per cent of its activities is divided between subjects of regional or of zonal importance. The remainder is broken down by countries and activities in proportions of 15 and 35 per cent respectively. Such a distribution seems calculated to allow the studies by activities, and especially those by areas, to help in supplying data for country studies, as will these in their turn for zonal studies, the ultimate outcome being the studies that embrace the whole of the Latin American region.

This type of approach may give a clearer picture of the situation. The Commission has projects under way which might be classified as follows: eight topics relating to the

/economic development

economic development of Latin America as a whole, three corresponding to foreign trade problems affecting the whole of the region and two concerned with the factors of internal growth. This undoubtedly proves that attention is directed towards and priority assigned to the over-all aspects of the development of Latin America. As regards zones, it has only two over-all studies in process of execution, and two dealing with the factors of growth. For countries, there is one treating of over-all economic development, while two consider the factors of internal growth. With respect to activities, three studies come under the general head of economic development and thirteen discuss the factors of internal growth; eleven relate to Latin America - once again I would stress the importance of the regional focus of these studies - four to zones and one to countries. In short, a glance over the whole panorama of ECLA studies, including projects in course of execution, reveals a complete picture of direct attempts to grapple with the problem at different levels, but with the common feature that all are designed to contribute ultimately to the over-all studies. Before leaving the subject of classification, we should like to state that after reviewing the programme project by project, the impression of the Mexican delegation is that the determining criterion has been a series of approaches, based on the principle of integration, to the full and detailed study of Latin America's regional economy. Herein two important elements have perhaps played a part.

/In the

In the first place, the Commission has requested that those topics be studied which are of the greatest importance to it, or, in other words, the delegations of the various countries have assigned to the secretariat a set of topics which necessarily reflect the aspirations of each, and consequently the priorities that each one would at a given moment establish. Thus, the list of studies at present being carried out by ECLA relates to the various categories of problems within this integral and organic setting, which in terms of each country's development means dealing at the earliest possible moment with the individual problems affecting its economic development, the whole effort being directed with an eye to that larger unit which is the total.

A second consideration which we feel to be important is that fortunately, in relation to the integration of this mosaic of topics, a high degree of confidence in the secretariat has been maintained. I am not referring to confidence in its technical competence, which is unquestionable, but to the appreciation and appraisal of the Commission's sympathetic understanding of Latin America's economic problems. In this context, we should not consider it very advisable to attempt to perfect methods of organization by means of the establishment of budgets.

We believe in budgets, but we regard them as an instrument for the delegation of responsibility. When the budget tends to destroy responsibility, it becomes a straitjacket, movements

/are hampered

are hampered and people stop thinking. In this case, fortunately, the Commission has had the good sense to adopt work programmes that reflect its chief concerns and leave the handling of the programme to the discretion of the secretariat. It further seems to us, in consequence of this analysis, that perhaps the following series of considerations might be put forward, to be taken into account in the future:

1. This set of studies seems by now to form a whole complex of information, which should be analysed as constituting a sort of map of experiences and ideas on which to trace out strategic lines of approach to the problem of Latin America's economic development in functional terms;

2. In many cases, particularly in consequence of the interest of the countries in developing their own work mechanisms and tackling the question of development on their own account, each of them by now has experience, perhaps in differing degrees, in the organization of studies of the country's own economic development. This national experience is also to be found at the three levels of which I was speaking. Significant progress has been made with respect to the study of a country's over-all economic development, and also as regards the vital problems of foreign trade, or those relating particularly to the development of primary, secondary and tertiary activities - agriculture, industry, services, etc. - which in reality constitute the essence of Government programmes in each individual country.

/We should

We should therefore like to suggest that ECLA endeavour to utilize the advances achieved by our countries in these various fields, so that their national experience can be adduced in the discussion of such problems. I think the experience acquired through the work of the Committees at the level of industry is sufficiently conclusive to suggest to the Commission that through such mechanisms for the exchange of views and information it endeavour to assemble the experiences of the different countries in the fields of the development of primary, secondary and tertiary activities.

Lastly, we should like to state our view that a sufficiently integrated evaluation of the ECLA studies as a whole will show that each specific topic and each project has its own merit, without need for recourse to the device of income-and-expenditure.

I must apologize for having taken up so much of the delegations' time, but we were particularly interested in making a special evaluation of the ECLA studies, with a different criterion from that adopted hitherto, and with the idea of seeing which were the various fronts on which we had advanced and how far they were all linked to the study of the economy of Latin America as a whole.

I should like to conclude by stating that our review affords objective confirmation of the opinions expressed in the Commission by every delegation, to the effect that the work of the secretariat is making an effective contribution to Latin America's economic development.

Information Document N° 51

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session
La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. JOSE GARRIDO TORRES, OF THE BRAZILIAN DELEGATION, IN COMMITTE I, ON 22 MAY 1957

My present aim is to make a detached, objective and unbiassed analysis of the item on the agenda under discussion - the repercussions of the European common market on the trade of the Latin American countries. I do not speak with any feelings of animosity. I wish to make a constructive contribution.

What is the European common market?

Here I would prefer to quote the joint study by Professors Franz Gevrels and Bruce F. Johnston, published under the title "The economic gains of European integration", in the August 1955 issue of the Journal of Political Economy (pages 275-292). The conclusions reached by these economists are as follows:

"On examination, the prospective gains from an economic union of the six Schuman Plan countries seem very great. The replacement of inefficient domestic sources of supply with lower-costs sources in other member countries would lead to an important saving of resources. The more rational organization of European production would permit for the first time a full realization of the economics of large scale and thereby bring about important additional cost savings. Finally the widening of national markets into one single market would intensify competition and compel more efficient performance on the part of producers everywhere. These forces would be intensified by the permanence of the national commitments here assumed, for these would remove much of the hesitancy of enterprises to make the needed adjustments.

The success or failure of economic union would be strongly influenced by the degree of success of members in maintaining domestic stability and in making the necessary structural adjustments to an increase in trade. Joint efforts to maintain stable full employment and to ease the structural adjustments of members would be highly desirable.

A more or less simultaneous, although gradual, reduction

/of all

of all intra-European trade barriers is preferable to a sector-by-sector reduction. The burden of adjustment would be spread more evenly; all the initial adjustments would tend to be in the right direction; and there would be less danger of plans being influenced unduly by particular groups. But within the framework of a general freeing of trade, European institutions still would have important tasks to carry out in raising productivity, in aiding necessary shifts of resources, and in solving special problems of particular sources.

It is worth adding one point not discussed in the body of the paper: that integration should bring about a sustained increase in Europe's rate of economic growth. The propensity to save would increase as a result of higher real income, and the more competitive atmosphere, combined with higher market opportunities, should induce business enterprises to match the higher savings with more investment. With higher investment it may be possible for Europe's economy to match the growth shown in recent decades by the United States and Soviet economies".

This is the "rationale" of the common market.

The Brazilian delegation has no objection to make to the formation of the European common market. It is a rational and desirable solution, on the economic plane, both for Europe and for the rest of the world. And there are other arguments in its favour. The principles on which the European common market are founded are precisely those adduced in support of a regional market for Latin America in the document presented by ECLA to the Trade Committee in Santiago, entitled Payments and the regional market in inter-Latin American trade, and prepared by two of ECLA's special consultants. This document states: "However, the idea expressed with most conviction is that of instituting a wide area - such as the South American market might gradually become - within which would be established a multilateral and competitive system based on private enterprise.

/This does

This does not imply failure to recognize the part that must properly be played by the State in guiding the country's economic activities and supplementing private enterprise, especially in the case of under-developed countries. Nor can the need be ruled out for funds provided by foreign Governments on international agencies. Under such conditions the resources available would be large and varied enough for the area's potentialities to be developed, with due regard to the best economic criteria and to the principles of productivity, specialization and competition - in other words, those appropriate to a regional division of labour" (E/CN.12/C.1/4, page 26).

The situation has been altered in the meantime by the association of the European overseas territories. Here again we have no grounds for objecting to the development of the resources of these territories, and the improvement of the standard of living of their peoples. We acknowledge the validity for them of the same principles that we support for the Latin American peoples. We do nevertheless feel some apprehension when, in the light of the few data at our disposal, we glimpse the possibility of discrimination against our exports and consequently of a possible violation of the General Agreement on Tariffs and Trade, of which only six Latin American countries are Contracting Parties, but infringements of which might affect all.

I think the moment has come to recall some of the concepts expressed by the Chairman of my delegation at a plenary meeting, when he said:

/"We all

"We all know that, over the long term, and to the extent which two aims are achieved - increased productivity and real European income through greater markets and high-scale economies - the effects of the common market will benefit not only the European economy, but also that of the world in general.

"Over the short term, there will undoubtedly be readjustments, which are the natural price which must be paid. What is worrying Latin Americans is the possibility of artificial distortions in the direction of investments and trade. While investment funds potentially available for placement in Latin America and Asia are channelled towards the African possessions, in response to the natural stimulus of greater productivity and profitability, no objections can be raised. But when European investments are diverted from their natural inclination to take part in Latin American development, not as a function of greater productivity of colonial investments, but as a result of motives of political solidarity, the benefit for the European economy will be illusory, and the result will be really detrimental to the Latin American economies.

"The second cause for concern is the danger of contamination of the common market by the colonial preferences still maintained by certain European countries, the tolerance of which we consider to be the "original sin" of GATT, a sin of which that organization has never sufficiently purged itself. Any increase in the level and margin of colonial preference will give rise to grave apprehension. Such a result will be produced,

/for instance,

for instance, if the common tariff applicable to Latin American commodities, resulting from negotiations between the six member countries, exceeds the mathematical average of the direct tariffs applied individually today by the six countries.

"If these data are confirmed, the introduction of the common market would be an unacceptable amplification, rather than a contraction, of the colonial preference system. It would lead to a simple transfer of trade currents, and not an expansion of world markets, barely leaving the Latin American countries the hope that future European increases of productivity or real income would compensate for the immediate dislocation."

It is a fact that with an extension of the preferences of the six European countries, and of their margin of discrimination in favour of the exports of their overseas territories, the prospects for similar exports from Latin American countries would not be particularly encouraging. (And here I would like to echo the delegation of Chile in offering my congratulations to the ECLA secretariat for supplying us with a valuable report on the details of the Rome Treaty, Convention and Protocols). We are threatened with the loss of a part of the increment in European consumption proportionate to our present share in that consumption.

The Brussels Group has pointed out the "flexibility" of the treaty. It is that very flexibility, which is largely the consequence of the difficult experienced by "the six" in reaching agreement on certain aspects of the treaty, that arouses some

/anxiety in

anxiety in third countries, since it thus becomes difficult to know in advance how the common market group will operate in certain circumstances.

An example of the apprehension I mentioned earlier is connected with recourse to quantitative restrictions in the event of balance-of-payments difficulties. The regulations covering such expedients are not sufficiently clear or precise in the Treaty, and their adoption may be prejudicial to third countries.

The inclusion of the overseas territories has been criticized, not only because of its possible repercussions on trade between Europe and other regions, but also because it seems to be contrary to the spirit of article XXIV of GATT. It would appear that their admission, under special conditions, would not give rise to the formation of a genuine customs union, but would in fact constitute a new preferential trade zone.

The clauses regarding agricultural products, in which the "flexibility" is still more in evidence, also give grounds for anxiety lest discriminatory treatment might be extended to third countries.

At the last meeting of the GATT, a number of countries expressed this opinion, among them Australia, Canada, Ceylon, India, Indonesia, New Zealand, Sweden and the United States. The actual words of the Australian delegation to the meeting were:

"The flexibility associated with the treatment of

/agriculture in

agriculture in the Treaty, for example, and the length of the transitorial period, were such that other countries could be faced for the next ten to fifteen years with something approaching a new preference area".

The anticipated period of transition, which in fact will be a minimum of 12 years, is too long from the point of view of third countries, since during this time a large number of safeguard clauses would be in force which might imply discrimination.

The benefits to third countries resulting from the expansion of the European market and the corresponding increase in real income have been over-stressed, without reference to the time factor in every instance. It will take a long time to weld together the many European markets each of which has its own characteristics, until a single market is formed where large-scale economics can be effected. And a group of heterogeneous markets is not the same as one big homogeneous market. Consequently, at least over the short and medium term, the benefits to third parties might be largely illusory. Deep concern as to the level of the external tariff became apparent during the recent session of the Intercession Committee of the GATT on the part of Canada, the United Kingdom, United States, etc.

Finally, under article 20 of the Treaty, each member country may add further products to schedule G, for which duties are fixed by negotiation up to a limit of 2 per cent of the total value of imports from third countries effected during 1956. This leaves the door open to appreciable future tariff increases for third countries.

/In the

In the meantime, the disadvantage of a decreasing percentage share in the European market, as a result of competition on protectionist bases in the consumer centres, will be aggravated by the very heavy investments which will be made, especially in Africa, and by the low labour costs in that continent.

We are assured that there is no cause for alarm. It is difficult to reconcile this assertion with the known facts. Here I would like to quote some passages from an article published in The Economist, in London, on 23 March of this year, and translated in Problemes Economiques, on 9 April, under the title "L'Eurafrique et le Commonwealth". Analysing the effect of European preferences on the primary commodities market of the British Commonwealth, the writer remarks:

"Les territoires de l'Italie et des Pays-Bas, l'Algérie, les colonies françaises et probablement les nouveaux Etats indépendants du Maroc et de la Tunisie, seront liés au marché commun de trois manières: ils bénéficieront d'investissements de capitaux, principalement allemands; ils étendront aux cinq autres membres de l'Union les préférences qu'ils accordent déjà à la métropole; et enfin, eux et le Congo Belge bénéficieront en retour d'un système de nouvells préférences sur le marché européen. Les Européens projettent maintenant de faire dans leurs propres territoires ce que la Grande-Bretagne et le Commonwealth ont fait à Ottawa.

Ce fait nouveau rend la solution primitive -exclusion du Commonwealth- fâcheuse pour de nombreux exportateurs du Commonwealth. En 1955, quelque 17% des exportations de tout le Commonwealth sont allées à des pays d'Europe autres que la Grande-Bretagne-des pays du marché commun pour la plupart; et plus du cinquième des exportations des autres colonies et dependances britanniques prennent normalement le même chemin. Les nouvelles préférences constitueront un pénible handicap de plus pour ces exportations.

Toutes n'en souffriront pas; il est peu probable que les industries légères de Hong-Kong se ressentent de la concurrence africaine avant un certain temps; il est possible que le jute et le cotton, les deux grandes exportations de base du Pakistan, échappent aux tarifs douaniers préférentiels. Mais de sévères tarifs préférentiels seront créés pour nombre de produits

/végétaux- un

végétaux- un droit de 9% sur le cacao par exemple, d'autres sur le café et les huiles comestibles, peut-être même sur le caoutchouc. Ils gêneront certainement les territoires de l'Afrique britannique, dont les exportations sont en concurrence directe avec celles des territoires équatoriaux de la France et de la Belgique. 21% des exportations réunies du Ghana, de la Nigéria, du Tanganyika, du Kenya et de l'Uganda, ont été absorbées en 1955 par les six pays du futur marché commun. Elles comprenaient surtout des produits agricoles-clé, comme le café, le cacao et les huiles comestibles, auxquels les nouvelles préférences s'appliqueront. Le Ghana, en particulier, a dirigé sur les six pays plus du quart de ses exportations, le cacao en constituant l'essentiel.

En dehors de la zone équatoriale, d'autres territoires seront les victimes de ce système à un moindre degré. Il est possible que l'Afrique du Sud souffre de la concurrence nord-africaine pour ses fruits et les Indes occidentales de la concurrence congolaise pour leurs bananes; il n'est pas jusqu'au caoutchouc malais qui ne risque d'être desavantagé. Ici, les inquiétudes du Commonwealth proviennent moins peut-être du présent -où la production de caoutchouc de l'Afrique, par exemple, n'attoint encore que le sixième de celle de la Malaisie -que de l'avenir, où les besoins de l'Europe et la production de l'Afrique française et belge se seront élargis considérablement."

I believe that with competition based on the natural incentives of productivity and profitability, we should witness the repercussions foreseen here in three successive periods: (1) over the short term, the effect may possibly be slight, because of the time it will inevitably take for investments in Africa to be organized; (2) over the medium term, colonial competition should already be making itself felt, both in Europe and in other areas; (3) over the long term, after the inevitable readjustments, there should be an appreciable expansion of international trade as a result of the aforementioned increases in real <u>per capita</u> income, both in Europe and in Africa and other dependent territories. Artificial distortions, should they take place, would further darken the sombre aspects of the picture.

/What lesson

What lesson can be learned from events?

In Brazil, as an antidote to the formation of the Euro-African common market, the necessity to diversify our exports and to raise our indices of productivity has been pointed out. Nevertheless, in so far as this therapeutic measure is directed towards primary production, the outcome appears dubious, in view of the conditions under which we may ultimately have to compete with African exports, doubly favoured as they will be by low costs at the sources of production and tariff protection in the European consumer markets. The well-known phenomenon of the low price-elasticity of primary commodities in relation to demand tends to cause a deterioration in Latin America's terms of trade, to reduce the importance of the region in trade with Europe and the world, and to convert it into a subsidiary of integration programmes unconnected with its own interests. Obviously, its interest rather consists in entering into competition in the extra-regional markets with surpluses of commodities whose competitive capacity derives from large-scale production.

Although we realize that we have rights to defend which originate in negotiated tariff concessions, I believe that in the final issue the solution must be found in the eventual formation of a regional market for Latin America or for South America. In addition to the endogenous reasons which fully justify such a course, it cannot be denied that the common Euro-African market will now have a catalytic effect as

/regards the

regards the Latin American regional market. It must be acknowledged that the world is passing at present through a phase of economic rationalization, thanks to the influence of a determinism caused, on the one hand, by technological evolution and on the other by the desire to raise the standards of living of the masses. We are on the threshold of an era of great economic areas, on the eve of witnessing the fulfilment of Spengler's prophecy. On pages 21 and 22 of the ECLA document cited earlier we find the following:

" A number of factors are already helping to create an atmosphere conducive to the realistic reconsideration, in a proper perspective, of the usefulness of finding over-all solutions to problems common to the Latin American countries, and not confined to the industrial field alone. These factors include the greater economic maturity attained, the better understanding of mutual problems, the reciprocal inter-dependence of the Latin American countries as regards the fulfilment of their aspirations, certain progress already achieved or under way with respect to transport facilities, including overland communications, and above all, the fact that exactly the same difficulties have arisen at exactly the same time in industrial, foreign trade and payments sectors, especially in South America.

" At the same time, growing interest is being aroused in Latin America by the progress of economic integration in other parts of the world, as for example, in Western Europe, and between this area and its countries' African possessions, to

/cite only

cite only two outstanding instances. Furthermore, as the survey showed, concern is felt as to the increasing gap between the more highly-industrialized and the under-developed countries - a gap which tends to be still further widened by the disparity between their technological resources and availabilities of capital and skilled labour.

" Attention is also drawn to the remodelling of the world economy, a process which began in the war of 1914-1918, gathered new impetus during the thirties and ended by taking definite shape during and after the Second World War, radically altering the composition of international trade flows. The fear - perpetuated by the insecurity of peace - of being cut off from the centres of industrial supplies, the belief that prices for the region's raw materials are apt to be more unstable than those of manufactured goods, and that the terms of trade may become unfavourable in the long run; the desire to raise the standard of living of their peoples; all these considerations have joined to impel Latin American countries along the path of industrialization. Such industrialization would diversify their economies, and, if achieved, would secure the desired stability combined with prosperity. These principles of economic policy have been further strengthened of late, in view of the encouragement of lines of production in Africa parallel to those characteristic of Latin America, and the increased technological progress in the United States and Europe which tends to produce synthetic substitutes for many of the

/traditional Latin

traditional Latin American exports. Another contributory factor has been the fear of the depressive influence that may be exerted on the world market prices for products competing with those of United States origin by the latter country's policy of subsidies for agriculture."

Hence we must acknowledge that the concept of the desirability and usefulness of seeking a joint solution for the economic problems of the region in which we live is not a merely Utopian ideal. The century-old spirit of co-operation and solidarity which happily exists in this part of the world has already produced political and juridical formulae on which economic integration could be founded. Today we are seeking to discover here a formula of solidarity which will give an economic content to Pan-Americanism, dreamed of politically by Bolivar, functionally conceived by Bello, and attempted in practice by Manuá.

There will be much to be learned from the Euro-African experiment. Let us watch it carefully.

In this connexion, I wish to submit for the consideration of the meeting the following draft resolution, sponsored by the delegations of Argentina, Brazil, Chile, Peru and Uruguay:

The Economic Commission for Latin America,

Considering:

(a) That it is of great importance for all the Latin American countries to continue to observe the experiments

/in economic

in economic integration in progress in Europe and projected in other areas;

(b) That, under the terms of Resolution 102 (VI), this Commission recommended to the secretariat that, in co-ordination with the Department of Economic and Social Affairs of the United Nations, it should continue the analysis of the markets for those primary commodities which are of decisive importance for the economy of the Latin American countries;

(c) That in the meantime certain events have occurred which may affect, to an extent which it is still impossible to assess, the sales prospects and prices of Latin American primary commodities on the world markets, amongst which the most outstanding is the creation of the European Economic Community and the possible formation of a free trade zone in Europe;

(d) That both the stability and the prosperity of the economies of the Latin American countries and the possibilities of their development at an acceptable rate depend to a great extent on the volume and value of their exports of primary commodities, which are at the same time dependent upon the markets available for these products;

(e) That the trend towards European economic integration, whilst deserving the fullest sympathy from the Latin American countries, nevertheless arouses in them some apprehension as to what may be the implications of the establishment,

/at any

at any rate for a time, of a preferential trade and investment system, as regards the overseas territories,

Decides:

1. To recommend to the secretariat that it continue to observe closely the economic integration of Europe and other areas;

2. To recommend to the secretariat that it carry out studies on the world market prospects for Latin American primary commodities, taking into consideration in particular the reprecussions which may derive from the European common market and the possible creation of a free trade zone in Europe;

3. To recommend that such studies should be conducted on broad lines, so that they cover both the indirect effects on Latin American trade that may derive from possible repercussions of European integration on third areas, and also the possible trend of trade in Latin American primary commodities over a reasonable future period through projections of the demand and world production of such products;

4. To suggest that the secretariat endeavour to co-ordinate the execution of such studies with others of an analogous nature undertaken by the Economic Commissions for Europe and also for the Asia and the Far East, and other United Nations Organizations.

That was all that I wished to say, Mr. Chairman. Thank you very much.

STATEMENT BY MR. R.C. BARNES, MEMBER OF THE UNITED KINGDOM DELEGATION, IN COMMITTEE II, ON 24 MAY 1957

I need not stress the intense interest of Her Majesty's Government in the United Kingdom in the question which we are now discussing, and I should like to take this occasion to outline briefly recent developments in the United Kingdom in this field.

The United Kingdom was the first country in the world to launch a national plan for the development of nuclear power. The United Kingdom programme, which was announced in 1955, and revised in 1957, to treble approximately the planned output, remains the most ambitious yet embarked upon by any nation.

Under the revised programme, from 5,000 to 6,000 megawatts of nuclear generating capacity are to be installed in the United Kingdom by the end of 1965.

It is envisaged that this programme will necessitate the construction of some 19 nuclear power stations.

The exact number will depend upon the outputs per station achieved.

The full programme will, in consequence, provide a major contribution to the energy resources of the United Kingdom.

Since the middle of the last war, Britain has suffered a continuing shortage of primary fuels, and future industrial expansion will demand extra fuel which it will not be possible to meet from mining output.

/It has been

It has been estimated that by 1965 the total demand for energy in the United Kingdom will rise to 300 millions tons of coal equivalent, compared with 250 million tons in 1955.

It is unlikely that more than one-third of this increase will be met by higher production of indigenous fuels.

A full year's operation of 6,000 megawatts nuclear generating capacity will save the equivalent of 18 million tons of coal.

Hence the nuclear programme will reduce by nearly one half the quantity of fuel which will have to be found to meet the extra demand.

It will greatly relieve the burden placed by the cost of imported fuel on the United Kingdom balance of payments.

Work on the first two stations of the ten-year nuclear programme began early this year.

The net output of these two stations will be 300 megawatts and 275 megawatts.

A provisional contract for a third station, to be built in Scotland, and to produce over 300 megawatts, has also been awarded.

These stations are scheduled to come into operation in 1960 and 1961.

For the period beyond 1965, no firm plans have yet been made.

It is probable, however, that nuclear capacity in 1970 will be between 12,000 and 16,000 megawatts.

After that date, the progress of the development of nuclear power to the point where all capacity is from nuclear sources will depend on many factors, chief of which will be the availability of primary fuels and technical developments in the exploitation of nuclear power.

/As regards

As regards the technological aspects, the United Kingdom programme is founded on the gas-cooled, graphite-moderated reactor of the Calder Hall type, and most of the stations to be built in the first stages of the programme will be developments of the basic Calder Hall model.

Calder Hall, the world's first nuclear power station to operate on a commercial scale, began to contribute electricity to the National Grid in October, last year.

It is a dual purpose plant, generating 90 megawatts (gross) of electricity and also producing military grade plutonium.

On the other hand, the first commercial stations are designed with efficient generation of electricity as the main consideration.

Numerous improvements in design and development in engineering technology will enable them to achieve their much higher outputs without a comparable increase in cost.

Mr. Chairman, this question of costs, with which the distinguished Delegate of Chile dealt a few moments ago, is clearly of the utmost importance.

The competitive position of nuclear power depends on a great number of factos.

The possibilities of economic generation of nuclear power vary from country to country, according to whether a country has large reserves of easily won and conveniently located coal or oil and whether it has reserves of hydro-electric power conveniently close to the points of power consumption.

/The availability

The availability of capital and the rate of interest at which money can be borrowed may also, of course, be a determining factor.

The outstanding economic advantage of nuclear power is that fuel costs are low.

Capital costs, on the other hand, are likely to be much higher than those for comparable coal or oil fired stations, at least in the early years.

The relationship between capital and running costs is likely to be the reverse of that found with conventional stations, where about two-thirds of the total cost is usually represented by running costs and one-third by overhead costs.

It is thus evident that, when the capital element in nuclear power costs is so high, the load-factor at which stations are to operate is an important consideration.

In the United Kingdom the cost per unit of electricity generated by the earlier nuclear stations is expected to be comparable with that for power produced from conventional stations.

There is little doubt, however, that as experience is gained, capital costs will fall, thus enabling nuclear power to compete with conventionally generated electricity on increasingly favourable terms.

As to the materials used, the reliance of the programme in the United Kingdom in its early stages on natural uranium fuel had the advantage that expensive enrichment is unnecessary.

Furthermore, at the same time that power is produced, fissile material accumulates which will be used in the more advanced reactors of the 1970's.

/Adequate capacity

Adequate capacity is planned for chemical processing to meet all the requirements of the United Kingdom, and in addition there will be spare capacity which can be made available for processing material for countries abroad.

Perhaps now, Sir, I may be allowed a few words about our relations with other countries in this field.

The United Kingdom has signed agreements for the exchange of information, or has entered into technical discussions, with a large number of countries, including Argentina and Brazil.

Furthermore, British industrial firms are now able to export reactors in the 100 megawatts to 200 megawatts range.

Fuel will be supplied with completed reactors and reprocessing facilities for irradiated fuel are offered by the United Kingdom Atomic Energy Authority.

The training schools operated by the United Kingdom Atomic Energy Authority are already largely international in character.

The Isotope School at Harwell, which was established in 1951, provides a series of basic courses of instruction in the handling, measurement and use of radioisotopes.

In addition, there are special courses on health physics, electronic instrumentation and autoradiography.

In the last six years, 40 regular courses and 11 special courses were held at the School. 673 students attended the regular courses and 179 students, the special courses. Some 270 of these students were from other countries, and the total number of countries represented was 41.

/There is

There is also a Reactor School which provides courses in all branches of reactor technology for graduate engineers and physicists.

The School was established in September, 1954, and a year later courses were made open to students from overseas.

In the last year and a half, six courses have been held and 84 students (some 38 of all the full-time students at the School) were from other countries.

The total number of countries represented was 25.

Finally, all establishments controlled by the Atomic Energy Authority in the United Kingdom receive visits from a great number of foreign scientists, journalists, and industrial representatives who are in search of information on various aspects of the development of nuclear energy. The Atomic Research Establishment at Harwell received nearly 1,000 such visitors last year.

Mr. Chairman, some days ago the distinguished delegate of Brazil in his stimulating opening statement to the Commission referred to an anecdote attributed to one of my former chiefs, to the fact that in certain circles in the United Nations there is a tendency to produce a ton of oratory from an ounce of facts. If on this occasion it might seem that we have produced an ounce of oratory from a ton of facts, it is because we would wish the facts to speak for themselves. In a word, Sir, economic necessity in the United Kingdom has compelled us to seek new sources of energy and to devote a great amount of technical skill and capital to this great new endeavour. We are happy if other peoples of the world, including those in Latin America, can derive benefit from whatever progress we have been able to achieve.

Information document Nº 53

STATEMENT BY MR. J.H. WRIGHT, ALTERNATE REPRESENTATIVE OF THE UNITED KINGDOM, IN COMMITTEE I, MAY 21, 1957

I have listened with much interest to the clear, suocinct account which Señor Ivovich has given us yesterday and today of developments in the matter of payment arrangements since the Trade Committee Meeting in Santiago at the end of November - also to the detailed explanations which we have just received from the Honourable delegate of Argentina covering the technical aspect of matters discussed at the meeting of the Working Group at Montevideo.

The progress made in less than six months is indeed remarkable. This is due in part to the positive interest of Governments members of this Commission, - but I am sure that it is mainly due to the urgency and industry which Señor Ivovich and the ECLA secretariat have brought to their task. The United Kingdom delegation is glad to pay a sincere tribute to them.

The United Kingdom is keenly interested in this matter of payments arrangements. We are glad to note the trend towards multilateralism among Latin American countries - glad simply because of our conviction that multilateral arrangements are in the best interest of the countries concerned. Let me also say in parenthesis at this point that we are also much interested in the matter of multilateral arrangements between Latin American countries and other countries outside this area. We feel that these twin aspects are equally important and that progress should move hand in hand. We hope that concentration on arrangements between Latin American countries will not lead to any slowing down in progress towards multilateral arrangements with European countries.

/I return

I return to the matter of payments arrangements between Latin American countries on which I wish to speak briefly this morning. This matter was thoroughly aired at the Santiago meeting of the Trade Committee. The discussions at Santiago crystalized in a Resolution No. 1 which provided for the formation of a Working Group consisting of representatives of countries having bilateral payments arrangements. The main function of the Working Group was to propose the measures leading to the gradual establishment of a multilateral payments system. It was also provided in the Resolution that the Working Group would have the benefit of the assistance of the secretariat of ECLA and would request that of the International Monetary Fund. The Working Group might also request the collaboration of the Organization of European Economic Co-operation and all other suitable bodies. The resolution took note that countries having compensation agreements were prepared, pending the achievement of full multilateralism, to take certain steps to give greater flexibility to their payments arrangements. Among the steps mentioned were the establishment of reciprocal credits or swings, sufficient to cover fluctuations in trade; the automatic transfer of balances over the swing; and subject to the approval of the Central Banks concerned, transfers even within swing.

We now have before us, in Conference Room, document No. 1, the report of the first meeting of the Working Group which took place at Montevideo on the eve of this Session. I have read this document with much interest, although it has not been long

/available to us.

available to us. It deals with various matters concerning progress towards multilateralism: the quotation of Agreement dollars at parity with the United States dollar, the observance of world market prices for export commodities, the exchange of information, the establishment of reciprocal credits and the transfer of balances. The Working Group appears to have done valuable work and all the members of this Commission must be grateful to them for it.

The report includes the text of a model payments agreement which the Working Group wish the Trade Committee to recommend to countries operating on the basis of compensation accounts. I should like to offer a brief comment on this model agreement, in particular Article 12 which refers to the transfer or balances in compensation accounts.

This article provides that Central Banks shall not request the payment of balances in their favour in these accounts so long as the balance does not exceed a stated sum: this sum constitutes the reciprocal credit or swing. When the balance exceeds the limit mentioned, the Central Bank of the creditor country may request the total or partial transfer of the surplus to another compensation account in force with a third Latin American country or May agree with the Central Bank of the debtor country for the surplus to be paid in other currency. If within a period to be agreed in each case the balance has not been liquidated by the methods mentioned above, the Central Bank of the creditor country may request the total or partial payment in free United States dollars. This interpretation of

/Article 12

Article 12 is based on the assumption that "podrá solicitar" means "may request." I note the explanation just offered by the Argentine delegate that "podrá solicitar" is synonymous with "podrá exigir" which I interpret as "may require." This makes some difference, but the arrangement remains a voluntary one, and it is some way from the automatic transfer of balances in excess of the swing contemplated in the Trade Committee's resolution.

I am well aware of the balance of payments difficulties in many countries. I am also well aware of the need of many Latin American countries to reserve their limited resources of hard currencies for purchases which can only be made by means of hard currencies. But the arrangement contemplated in Article 12 of the model agreement in which there is no obligation on the creditor nation to demand payment and no obligation on the debtor nation to make payment represents little advance on the working of existing bilateral agreements. I fear it will tend to perpetuate bilateral practices and also to perpetuate the situation discussed at the Trade Committee's Meeting at Santiago in which unliquidated balances may be so great as to bring trade between the countries concerned to a standstill.

Mr. Chairman, I note from the report of the Montevideo Working Group that it is not the intention that the model agreement shall be signed collectively by Governments. I note that it is intended to serve as a model, subject to such modification as the trade between pairs of countries may require. I assume

/that the

that the model agreement will be fully debated at the next meeting of the Trade Committee but it seems that this meeting is some time in the rather distant future, and in the hope that my comments may be of some value to the countries most directly concerned I thought it well to make them now. I submit these comments in the most sympathetic and constructive spirit.

Information Document No. 54

ECONOMIC COMMISSION FOR LATIN AMERICA

Seventh Session

La Paz, Bolivia, 15 May 1957

ADDRESS DELIVERED BY MR. ARIOSTO D. GONZALEZ, REPRESENTATIVE OF URUGUAY, AT THE CLOSING MEETING, 29 MAY 1957

So accustomed are we to expressing thoughts and emotions in symbols and images that we feel, at closing meetings such as this, something of the quiet beauty of evening, when the hesitancies of dawn are left far behind, and after hours of toil and endeavour, the approaching twilight announces the solemn advent of darkness.

Only a few days ago we came here - many of us for the first time - with our cares, our problems and our hopes, to this city of La Paz, which, in its setting of mountains, presents the traditional aspect of its old mansions alongside the restless urge of modern life, where the pick-axe relentlessly hacks out a path amid prosaic institutions and the bustle of community life.

We have come from diverse and distant lands, with many languages, customs and mental attitudes. Almost all of us have flown over rivers, mountains, and seas; we have beheld the desert, the jungle, the nerve-racking solitude of the páramo. And here we have met, in this cordial atmosphere, in a university building that lacks the stern austerity of the ancient cloisters, but is endowed with the tradition, the

/prestige and

prestige and the worth of famous seats of learning, where accurate teaching must go hand in hand with the human significance of knowledge, and art brushes science with its wings.

Our object in meeting here was the same that has induced the Economic Commission for Latin America to set up its temporary headquarters in other cities, during earlier sessions. We have come together to discuss sincerely and honestly, in an effort of comprehension, analysis and synthesis, the common interests that underlie our urgent need for understanding, militant solidarity and positive co-operation.

As distinct from those diplomats who, according to the cynical platitude, set out for distant lands prepared to lie for their countries, we have covered great distances and overcome weariness in order to speak with the candid voice of truth, whose tones are not always mellifluous or golden, our one aim being to improve the situation of our peoples and of the commonwealth of nations.

And today, when we are preparing to return to our every-day tasks in our own countries, we feel that if we have been faithful to them to the last, so also have we been to the kindred countries of our region, and to the friendly nations whose presence and advice have encouraged us throughout our long discussions. Departures are always a little melancholy; but at least we can confidently declare that intentions, words and deeds have been as straight and unsullied as the burnished blades of Toledo steel on which we engraved the immortal maxims of ancient chivalry.

/We have

We have not forgotten that the resonance of the most eloquent speech cannot dissimulate a moral lapse, any more than the most courteous language can redress a wrong done to the helpless or the innocent.

During the two weeks that we have collaborated in surveying the economic panorama of Latin America, and in studying some of our specific problems from a practical point of view, it has been possible to make positive and fundamental advances, in certain fields and approaches, upon the projects and achievements of earlier periods. This has been primarily due to ECLA's already exhaustive contribution of information, ideas and guiding principles. Without the indications provided by this background material it would not have been possible to clear the field of research of the thick and pestilential deposits of decaying verbiage, doctrinal sophistries and imprecisions with which it was cluttered up. And like many other realities in life to which we attach the name of a person, - let us recognize it once and for all - ECLA's optimum reality bears a name too - that of Raul Prebisch of the unharassed air and penetrating speech. Tu ducca, tu signore e tu maestro. Prebisch and his collaborators - many of them outstanding economists and technical experts - have, with steady and efficient discipline, in a period of only eight short years, worked the miracle of these integrated ECLA studies, in which, amid a welter of data and statistics original suggestions are put forward, criteria are formulated, and the analyses reach a

/statesmanlike

statesmanlike level of ability and vision. In a work of selection and synthesis, such guiding principles could be presented as the most compact breviary of the economic doctrine of Latin America.

The other circumstance which has facilitated our task has been the existence, among the diversity of problems besetting this vast continent, of some that are alike, so that from local studies we have been able to pass on to broader considerations of general value. In this respect, the ECLA studies are exemplary and definitive.

At this meeting in La Paz we have discussed questions relating to agriculture, mining, economic development, transport and trade. Since it was impossible to cover the whole field, we made a selection of subjects for research, so as to arrive at positive solutions.

Import substitution to reduce the external vulnerability of the Latin American countries; questions relating to the iron and steel making and transforming and the pulp and paper industries; nuclear energy; utilization of rivers and lakes, the mining industry; inter-Latin American transport systems; social aspects of economic development; Central American integration; and certain problems relating to agricultural expansion, have been the object of specific resolutions, recommendations and records.

The focal topic of discussion during this seventh session has been the formation of the inter-Latin American regional

/market. The

market. The setting-up of the Trade Committee, and the studies it has already carried out or organized, constitute an effective step towards the goal envisaged. The Central Banks Group which met at Montevideo prepared a draft standard agreement for the regulation of payments between eight countries conducting their trade through clearing accounts; the operational system to be applied was also agreed upon. Now, at La Paz, an even more positive step has been taken; after the next meeting of the Trade Committee, negotiations will take place between the interested parties for the adaptation of their payments agreements, so far as is compatible with the characteristics of trade between each pair of countries, to the draft approved at Montevideo.

Heretofore we have been isolated and scattered; after arriving at the new formulae discussed here, we shall speak one common language, and, in essence, adhere to one common code.

In the studies made by the Trade Committee, as in the solutions adopted at Montevideo and La Paz, there is a decided trend towards a multilateral payments system. We still have not achieved multilateralism, but we are moving in that direction under the guidance of a firm criterion and by means of realistic formulae.

It is very easy to discourse excatedra of multilateral trade and payments; the difficult part is to put these principles into practice, so varied as they are, so exacting, and so remote at times from the office desk.

/When the

When the Havana Charter was being discussed in 1947-1948, I had the honour, in the name of the delegation of Uruguay, to express my country's doubts and anxieties when the complex text agreed upon was discussed at plenary meetings. At that time I said these words, and my foresight in writing them astonishes me today: "Multilateral trade and payments, free trade relations untramelled by restrictions or by selective and discriminatory measures, are ideals whose materialization for the moment appears to us a distant hope". I even went on to speak of "a programme of such dubious feasibility, which to sceptical spirits might seem like the buildings of Aristophanes' dreamers in his immortal 'The Clouds'".

The euphemism of the literary image barely attracted the attention of those generous spirits who, like others later, failed to consider that if the large consumer markets have only limited means of payment in convertible currencies, devices must be adopted - even if they are only provisional - which will facilitate trade.

If a regional market is really to be established, suitable methods of payment must be found to allow of commodity trade. We are making progress in that direction, and the integration of trade zones will greatly benefit Latin America and its relations with other regions. In future, the field of speculation and hypothesis will be left behind, and practical achievements will be resolutely, ably and courageously tackled. The need to expand the markets in line with industrial

/development is

development is imperative. It is not that some sectors should be suppliers of raw materials and others producers of manufactured goods; what is required is diversified trade which will permit the development of every economy.

Another subject examined by ECLA during its La Paz meeting was the Rome Treaty, signed on 25 March last, to institute the European Economic Community. This treaty, which as an English statesman has remarked, compels every country to study it with all due attention, since none will escape its effects, is an outcome of the advances made by countries of Western Europe along the road to positive solidarity; the Council of Europe, the Organization for European Economic Co-operation the North Atlantic Pact, the European Payments Union, the European Coal and Steel Community, etc.

A careful analysis of the repercussions of the Rome Treaty on Latin America's economy and trade has been made at the plenary meetings, as well as at those of Committee I, and of the special Working Group. This exhaustive study was undertaken in so exemplary a spirit of understanding that the resolution submitted was adopted unanimously.

Under its terms, ECLA will study the world market prospects for Latin American primary commodities, taking into consideration the effects which may derive from the European common market; these studies will be co-ordinated with those of GATT and of the Economic Commissions for Europe and also for Asia and the Far East; consultations will be held between the member

/countries of

countries of ECLA, and international meetings for discussion of the European common market will be attended.

This brief though onerous list of topics would not be complete if I failed to mention, in well-deserved homage to our host country, that a resolution regarding the trade of land-locked countries recommends the desirability of granting the greatest possible facilities for the expansion of their international trade.

Such are, as well as I can sum them up, the basic lines followed by the work of the Economic Commission for Latin America in the city of La Paz. If to the positive and realistic conclusions reached is added the spirit of understanding, co-operation and frankness which pervades them - devoid of regaional cleavages, or vetos, or hostile or antagonistic blocs, and expressed in different tongues but in the language of a civilization that has formed a common bond between our peoples all over the world - we may with a quiet mind submit to the judgement of our contemporaries and of future generations the results of our activities, our trials and our confidence.

When Michael Angelo was asked whence he drew his inspiration, he replied that he owed it all to the wonderful air of Arezzo. During this spell of work, we have been breathing mountain air, like eagles and condors, here in La Paz. I do not know if it is this air or the sculptural beauty of Illimani's eternal snows that in moments of discouragement and weariness has stimulated us to fresh effort. But I should

/leave unsaid

leave unsaid what the delegations of the countries of America, of France, of the United Kingdom and of the Netherlands have all wished to say - just as I believe I am rightly interpreting the sentiments of the observers for many other countries of the world, and for the international organizations - if I did not stress the courtesy, the cordiality and the kindness with which we have been received throughout Bolivia by the national and local authorities and by the people themselves. Wherever they were drawn by the attractions of boundless natural beauty and of your own constructive endeavour, the ECLA delegates have always met with friendly hands and words to bear witness to the congenial feelings of all the Bolivians, which have also found such generous expression in your press.

Allow me to add just a few more deeply-felt words.

The representative of the United States, Mr. Harold M. Randall, recalled, at the opening meeting, the time when Bolivar and Sucre, at the height of their greatness, arrived in this region to complete the task of liberating the Americas. In the liberating armies, together with other Uruguayans, were Enrique Martínez and Eugenio Garzón, who had crossed the Andes with General San Martín, and after campaigns in Chile and Peru, and the battles of Rio Bamba, Pichincha and Zepita, took part in the final victory here at Ayacucho. In the Historical Museum in Montevideo can be seen the flag of the 9th. Regiment, commanded by Manuel Vicente Pagola, who years before, on the field of Sipe-Sipe, had covered a bloody retreat

/under a

under a hail of shot.

In order not to continue telling only of military glories, I should like to remind you - though not in professional detail - of the meeting of General Alvear with the Liberator, Bolívar, to discuss the campaign which was being waged for the independence of my country. And I must repeat what I said some days ago at a plenary meeting, when I recalled that it was at the University of San Francisco Xavier, in the city of Charcas, that many Uruguayans prominent in constitutional legislation, politics and the consolidation of the new-born State of Uruguay were trained. In the Constitutional Assembly in 1829, a colleague of Dr. Jaime Zudáñez - who had been born in Sucre, and was one of the Chuquisaca revolutionaires - was José Ellauri, a former student at Charcas, and both learnt from Santiago Vásquez much that they incorporated, to the best of their ability, into the text they were preparing. It was that of the Bolivian Constitution of 1826, which, together with that of Argentina of the same year, and the Chilean Constitution of 1828, were the great models for my country's sworn Charter of 18 July 1830, which governed our civic life for ninety years.

Out of all that we have accomplished together in the past, all that we propose to achieve together in the present, and all that our transient efforts are handing down to the future, above the passing realities of the moment there remains faith in the common task; the work of solidarity and co-ordination which, enriched and refined by the experience of generations,

/will live

will live and be present as a reviving force amid our peoples, and will constitute their most powerful stimulus, on account of the lessons it teaches and of its imperishable moral influence.

To the symbolic stars of this noble country of Bolivia should be added, as from today, the new star which raises our hopes here, in this historic city of La Paz, and whose clear radiance, like that of night's last stars, merges with the light of dawn.