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AND
SOCIAL COUNCIL



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

COMMITTEE II

(ECONOMIC DEVELOPMENT, INDUSTRY AND ENERGY)

SUMMARY RECORD OF THE THIRD MEETING

Held at La Paz on Thursday, 23 May 1957, at 3.35 p.m.

CONTENTS:

The technique of analysis and projections
in the programming of economic development
(continued).

Economic development and integration of
Central America.

Social aspects of economic development

Technical assistance for economic
development.

PRESENT:

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| <u>Chairman:</u> | Mr. TORRES GAITAN | Mexico |
| <u>Rapporteur:</u> | Mr. MONDRAGON | Honduras |
| <u>Members:</u> | Mr. MELERO) | Argentina |
| | Mr. DESIMONE) | |
| | Mr. FOSSATI | Bolivia |
| | Mr. OLIVEIRA CAMPOS | Brazil |
| | Mr. MELNICK) | Chile |
| | Mr. ASTRAIN) | |
| | Mr. MORERA | Costa Rica |
| | Mr. GAMBOA | Cuba |
| | Mr. GULRGA | Dominican Republic |
| | Mr. CHAVEZ) | Ecuador |
| | Mr. CIFUENTES) | |
| | Mr. DUARTE | El Salvador |
| | Mr. JEANPIERRE) | France |
| | Mr. RICHARD) | |
| | Mr. MELGAR LARRIEU | Guatemala |
| | Mr. BRAVO) | Mexico |
| | Mr. ZAMORA) | |
| | Mr. WAGENAAR | Netherlands |
| | Mr. CLEMENT | Panama |
| | Mr. BARRETO) | Peru |
| | Mr. BUSALLEU) | |
| | Mr. BARNES | United Kingdom |

/Mr. BEKKER

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| Mr. BEKKER | United States of America |
| Mr. DEMARCO | Uruguay |
| Mr. SALAZAR | Venezuela |

ALSO PRESENT:

Observers from
Member States:

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| Mr. VESELY | Czechoslovakia |
| Mr. MANCINI | Italy |
| Mr. MANZHULO | Union of Soviet Socialist Republics |

Representatives
of specialized
agencies:

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| Mr. EZEKIEL | Food and Agriculture Organization |
| Mr. BLANCO | World Health Organization |

Observers from inter-governmental organizations:

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| Mr. BERMUDEZ | Inter-American Economic and Social Council |
| Mr. WIAZEMSKY | Inter-Governmental Committee for European Migration |

Representatives of non-governmental organizations:

Category A:

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| Mr. HAYSEN | International Confederation of Free Trade Unions |
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Category B and Register:

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| Miss ESPINOZA | International Federation of Women Lawyers |
| Mr. SALINAS | World Alliance of Young Men's Christian Associations |
| Mr. FRIEDLAENDER | World Jewish Congress |

Secretariat:

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| Mr. PREBISCH | Executive Secretary |
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/Mr. URQUIDI

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| Mr. URQUIDI | Director, Economic Commission for Latin America, Mexico Office |
| Mr. TEJERA | Technical Assistance Administration |
| Mr. MAYOBRE | Secretary of the Committee |
| Mr. FURTADO | Assistant Secretary of the Committee |
| Mr. LEUSCHNER | Technical Assistance Administration Santiago Office |

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

Mr. TEJERA (Technical Assistance Administration) said that for some three decades both Governments and industry had been concerned with the problems of public administration and with the need for improved techniques of analysis. The experience of the Latin American countries proved, however, that much remained to be done if efficient programmes of economic development were to be carried out.

He gave details of the progress being made in Latin America. There was, unfortunately, a great discrepancy between the good intentions of Governments with regard to public administration and the actual results that had been achieved. That discrepancy was mostly due to a divorce between planning and execution, and a general attitude toward programming should be installed throughout the whole administration. An increase of the general level of culture was needed, but special training, might speed up the process of improving public administration. Mr. Tejera then asked for any further information that might be available so that it might be included in the final report on the subject.

At the request of the CHAIRMAN, Mr. MAYOBRE (Secretary of the Committee read out a draft resolution on import substitution submitted by the Ecuadorian delegation (Conference Room Paper N° 30).

Mr. BARRETO (Peru) referred to the importance of the

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intermediate demand aspect of the input-output matrix. It was clearly not possible to plan either specific or general economic development programmes without information on the general structure of the economy. Both income and the gross value of production related to the ultimate demand for inputs, but not enough was known about the demand for inputs at the intermediate stage.

He went on to give details of the statistical aspect of a study that the Peruvian Government was carrying out on the question in connexion with the relationship between the individual sectors of the economy and general economic development.

Mr. FOSSATI (Bolivia) said that the theoretical basis for statistical projections concerning economic development was the future demand for goods and services. That presented great difficulties for the under-developed countries, since they had neither adequate statistics nor an efficient public administration.

Bolivia was particularly concerned with the future position in regard to world markets and would welcome further studies from ECLA on the developments to be expected in each of the various sectors of the economy.

Mr. JEANPIERRE (France) said that a most important contribution to economic development was provided by electrification programmes in the case of which there was no real difficulty in estimating probable demand.

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In his country methods had been worked out whereby such projects could be realized and they had direct application to Latin America. He gave details of a programme of electrification which was being carried out in Peru.

Mr. MELGAR LARRIEU (Guatemala) said that there could be different types of planning organizations, which could come within the scope of the budget or lie outside it.

In Guatemala a private enterprise investment agency had been set up and a national council for planning, which it was intended would eventually examine the proposed national budget.

Mr. ZAMORA (Mexico) said that ECLA had used the matrix of the input-output ratios in making its statistical projections concerning various sectors of the economy. He thought that if that technique were made more explicit it would be more widely applied, with a resultant improvement in statistical data.

In regard to the possibility of using the input-output table for projections concerning overall economic development, he drew attention to four factors which would have to be taken into consideration: namely, the estimates of the levels of demand, consumption, investment and supply. Concerning the last, it would be necessary to know the amount of capital that would be available and the volume of imports.

He drew attention to the importance of applying the same or similar statistical techniques when examining the regional economic development within each country.

A further point which he considered of great importance

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was the need to publicize the programmes for economic development so that the whole population would be aware of their immense value. Mr. Zamora also emphasized the importance of proper administration, with reference to Conference Room Paper No 3. He indicated that further studies should be continued on that field, especially with reference to the implementation of economic programmes.

Mr. OLIVEIRA CAMPOS (Brazil) said that in his country there was an understanding of the importance of planning, and politics were not allowed to interfere in the carrying out of development projects.

Planning was an instrument of economic policy. It was the market, which regulated the level of supply and demand, but the Brazilian Government believed in direct intervention where the incentives of the market place were inadequate to maintain an acceptable rate of production.

A most useful study of the economy of the country, carried out in 1950-53 with the assistance of United States experts, had revealed that there were bottlenecks in the transport and communications industries and in regard to the supply of energy. The study carried out by a mixed group of economists of ECLA and the Brazilian National Bank for Economic Development had been extremely useful, together with other studies, in the formulation of sectoral targets within the flexible development programme which was at present being carried out in Brazil.

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He was concerned with the possibility of confusion arising out of the use of both "planning" and "programming". There could be plans for the economic development of individual sectors of the economy, but overall planning was only possible under a socialist régime. Programming, on the other hand, carried with it no sense of the obligatory and could therefore be left to private enterprise, with only limited government intervention. The main difficulty in carrying out global programmes was connected with the difficulty of foreseeing changes in the relative costs and in receipts from exports and with the lack of continuity and the absence of monetary and fiscal policies.

In Brazil it had been discovered that programmes concerning individual sectors of the economy proved more practical than a general programme of economic development.

He also emphasized the importance of the study on public administration. (Conference Room Paper No 3). He suggested that ECLA should publish its reports on development programmes.

Mr. DE MARCO (Uruguay) referred to the necessity of having an efficient and honest public administration if economic development programmes were to be planned and carried out successfully. He drew attention to the importance not only of the organic and methodological aspects but also of the training of staff in public administration. After stressing the traditional emphasis placed on administration in Uruguay, he remarked that, in 1949 and 1950, various measures and projects had been adopted to rationalize public administration. In 1955, an international seminar on the subject had been held. He referred to the technical training provided in Uruguay at the senior, highly specialized university and lower levels to qualify for entrance to

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the Administration. At the moment on-the-job training of officials was being carried out.

Mr. MELNICK (Chile) referred to the need to integrate individual development programmes in the general development plan. In regard to the Chilean agriculture and transport programme, for example, while it had no specific connexion with the general plan, that connexion existed de facto. He emphasized the importance in that respect of co-ordination at what might be described as the "middle staff" level.

In connexion with the study on public administration he discussed the arguments for and against having the planning office within the office of the Chief Executive and came to the conclusion that the economists and experts would be freer to consider medium-and long-term plans if they enjoyed a certain independence.

In conclusion, he emphasized the need for courses to train the technicians in the use of a common planning language.

Mr. GAMBOA (Cuba) described the part played by the administrative services in the economic development of Cuba. Economic planning was the task of two governmental, although autonomous, bodies, the National Economic Council and the National Planning Board. While the Council concentrated on basic economic studies and analyses, the Board, with its technical and economic staff, concerned itself with economic planning as such. The two organizations were helped in their work by several other institutions, including the Agricultural and Industrial Development Bank, the Cuban National Bank, the Fisheries Institute, the Coffee Institute, the Sugar Stabilization Institute, and the Technological Institute. The Department of Economic Affairs of the Ministry of Foreign Affairs ensured the necessary liaison with international organizations. The

principal aim was to select the most economical, fruitful and basic projects, and those most likely to result in the diversification of agricultural and industrial production. Technical staff were recruited on a competitive basis or by appointment; and in that field Cuba availed itself of the facilities offered by the United Nations and the Organization of American States.

Mr. CHAVES (Ecuador) said that the recently created Economic Development Board of Ecuador had replaced several institutions which had previously been responsible for economic development in general or in its specific aspects. The Board prepared economic studies, and examined reports on the grant of credit facilities, taxation problems, projected bond issues, and proposals for industrial investments, as also various other matters such as irrigation and electrification. It also carried out planning work in the true sense of the term; but in that latter field it was handicapped by a serious shortage of trained staff. The first reaction to the creation of the Board, especially when it had tried to review the budgets of autonomous municipal authorities, had been very negative. Public opinion had been opposed to the idea of planned economic development on the erroneous assumption that it smacked of Marxism and would lead to regimentation. The first task of the Board, therefore, had been to gain public confidence by convincing the country that there was a need for a technical approach to economic questions. Through its studies and analyses, and its compilations of statistical data, the Board had laid the groundwork for economic planning as such. That phase, however,

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was still to come.

Mr. BEKKER (United States of America) thanked the secretariat for having circulated to delegations the United States Department of Commerce study "The Role of U.S. Investments in the Latin American Economy", and emphasized that the study before the Committee was but a preliminary one, and that the complete version which should be published in June or July would contain a complete country by country analysis. The origins of the study lay in the discussions held by ECLA on the impact of foreign investments, and its aim had been to make a first attempt at evaluating the effects of such investments. Some effort had also been made to assess certain of the indirect effects of foreign investments. However some of the figures contained in the report, although they were merely approximations, could be put to practical use. They suggested, for instance, that the capital output ratio of United States investments in Latin American countries differed from the average capital output ratio in the latter countries. On the whole, he felt that the figures should be regarded as raw material for the establishment of a certain scale of magnitudes and the assessment of the relative importance of the various factors involved. The report had three main limitations. First, it did not reflect the significance of the transfer of modern technology; it was all the more gratifying, therefore, that the secretariat had produced a very comprehensive paper on that subject. Secondly, the figures contained in the report

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often reflected existing economic policies, as for instance in the field of taxation. Thirdly, the report did not show the indirect impact of foreign investment on the suppliers and customers of the participating enterprises.

ECONOMIC DEVELOPMENT AND INTEGRATION OF CENTRAL AMERICA
(E/CN.12/422 and 431; Conference Room Paper No 23)

Mr. URQUIDI (Director, Economic Commission for Latin America, Mexico Office) presented and summarized the progress report on the Central American Integration Programme (E/CN.12/431). The report reviewed the work done by the Central American Economic Co-operation Committee, which had been set up in 1952 and was composed of the Ministers of Economy of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, with Panama attending as an observer. The basic purpose of the Committee was to promote trade between the Central American republics, to further the integrated economic development of the region and to facilitate industrial growth on a rational basis. The programme was concerned with integration in two senses: not only the economic integration of Central America, but also the integration of the efforts of United Nations agencies in support of the programme. The Inter-American Economic and Social Council, the Inter-American Statistical Institute and the Organization of Central American States also cooperated in the fulfilment of the programme. Among the most striking achievements had been the recent adoption of the draft multilateral Central American free trade and economic integration treaty and of the draft agreement on

Central American Integration Industries. Both were ready for signature this year. The Committee's activities covered a variety of fields, including industrial development, taxation policy, transport, uniform maritime legislation, standardized road signs and signals, electric power development. Special mention should be made of the Advanced School of Public Administration for Central America, which had been set up in Costa Rica in 1954, and of the Central American Research Institute for Industry, which had been established in Guatemala in 1956. In conclusion, he paid tribute to all the organizations which had co-operated in the work achieved.

Mr. MELGAR LARRIEU (Guatemala), speaking on behalf of all the Central American countries, also reviewed the history and achievements of the Central American Economic Co-operation Committee, and expressed his gratitude to all the organizations which had co-operated in its work.

Mr. MONDRAGON (Honduras) supported the statement made by the representative of Guatemala.

Mr. MORERA (Costa Rica) said that his country attached great importance to the plan for the establishment of a Central American institute of geology, and hoped that it would be located in Costa Rica.

Mr. DUARTE (El Salvador) read out the joint draft resolution on the economic integration of Central America submitted by the delegations of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua (Conference Room Paper No 23).

SOCIAL ASPECTS OF ECONOMIC DEVELOPMENT
(E/CN.12/430 and 437; Conference Room Paper No 22)

Mr. MAYOBRE (Secretary of the Committee) presented and summarized the note prepared by the secretariat on the social aspects of economic development (E/CN.12/437). He then read out the draft resolution on the social aspects of economic development submitted by the delegations of Bolivia, Chile and Costa Rica (Conference Room Paper No 22).

TECHNICAL ASSISTANCE FOR ECONOMIC DEVELOPMENT (E/CN.12/432 and 433)

Mr. LEUSCHNER (Technical Assistance Administration) presented and summarized the report on technical assistance activities in Latin America during 1956 (E/CN.12/432).

At the request of Mr. CIFUENTES (Ecuador), Mr. LEUSCHNER (Technical Assistance Administration) explained his personal views as to the advantages and disadvantages of the experimental decentralization of TAA's Latin American Office. The advantages were mostly of a substantive nature and were mainly felt at the TAA offices in Mexico and Santiago, while the disadvantages, mostly of an administrative character, were mainly felt at Headquarters in New York.

The existence of a TAA office in Santiago enabled TAA to discuss projects with ECLA and transmit its views to the planning authorities concerned. Furthermore, ECLA was well acquainted with the requirements of the various countries, and was often in a position to help one country to make use of the work done in another. Yet another advantage was that decentralization permitted easier co-ordination between TAA programmes and the

bilateral programmes existing between Latin American countries. Regarding the actual implementation of programmes, the advantages the system offered were twofold. ECLA's assistance made it possible, first, to interpret more accurately the exact meaning and implications of the requests made by Latin American countries, and secondly, to give better guidance to the experts.

As for the disadvantages, it should be borne in mind that certain functions had to be performed at Headquarters, namely, the administration of funds, which often involved several different currencies, the actual engagement of experts, and co-ordination with the Technical Assistance Board and the specialized agencies. Above all, programmes had to have a certain degree of unity which could only be achieved if they were all directed from a central focal point.

Mr. EZEKIEL (Food and Agriculture Organization) emphasized that technical assistance was provided by the specialized agencies as well as by the United Nations itself. FAO, in particular, was active in practically every Latin American country, in agriculture, forestry and fisheries. Furthermore, the number of joint FAO-ECLA projects under the Technical Assistance Administration was increasing. There was to be a slight change in FAO's programming system. In the past, programmes for Latin America had been formulated by the Head of the South American Region and the Head of the Central American Region. The new Director General was planning to enlarge the FAO office at Santiago and thus increase the scope of FAO's activities.

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FAO looked forward to continuing its close relationships with ECLA.

Mr. BEKKER (United States of America) requested the secretariat to submit for the following meeting a note on the relative participation of ECLA, the United Nations and the specialized agencies in technical assistance programmes.

Mr. CHAVES (Ecuador) said that economic planning had become an imperative necessity for Latin American countries, if they were to make the maximum use of their resources. That was why they needed technical assistance in developing their economic programmes. The studies carried out by ECLA in 1951/52 had convinced his Government of the need to initiate an economic development programme. The Economic Development Board which had been set up in Ecuador in 1954 had done a great deal of valuable preliminary work, but it could not tackle the task of over-all economic planning because it lacked qualified personnel; accordingly, it needed technical assistance. He felt that the Technical Assistance Administration should co-ordinate its work with that of national planning authorities, and that there should be close liaison between TAA and national programmes. He earnestly hoped that it would be possible to transfer some qualified personnel to the national planning authorities; that would be of very great benefit to countries receiving technical assistance.

The meeting rose at 6.30 p.m.