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ECONOMIC COMMISSION FOR LATIN AMERICA

Committee of the Whole
Twelfth session

Santiago, Chile, 23 to 25 April 1968

SUMMARY RECORD OF THE FIRST MEETING

Held at ECLA Headquarters, Santiago, Chile
on Tuesday, 23 April 1968, at 10.55 a.m.

Acting Chairman: Mr. Carlos Quintana, Executive Secretary

Chairman: Mr. Carlos Valenzuela, (Chile)

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ELECTION OF OFFICERS

The ACTING CHAIRMAN, called for nominations for the post of Chairman. Mr. MARTINEZ (Argentina) nominated Mr. Valenzuela (Chile) as Chairman. Mr. BONILLA (Costa Rica) and Mr. BAEHR (Dominican Republic) seconded the nomination

Mr. Valenzuela (Chile) was elected Chairman by acclamation.

Mr. Valenzuela took the Chair.

The CHAIRMAN expressed appreciation for the honour that his election represented for him and for his Government. He then called for nominations for the posts of First and Second Vice-Chairman, and Rapporteur.

Mr. BONILLA (Costa Rica) nominated Mr. González Maya (Paraguay) as First Vice-Chairman.

Mr. MARRA (Brazil) seconded the nomination.

Mr. González Maya (Paraguay was elected First Vice-Chairman by acclamation.

Mr. DIAZ (Honduras) nominated Mr. Cozier (Barbados) as Second Vice-Chairman.

Mr. THOMPSON (Trinidad and Tobago) and Mr. HENRIQUEZ (Netherlands) seconded the nomination.

Mr. Cozier (Barbados was elected Second Vice-Chairman by acclamation.

Mr. BAEHR (Dominican Republic) nominated Mr. Martínez (Argentina) as Rapporteur.

Mrs. AGUILERA (Panama seconded the nomination).

Mr. Martínez (Argentina was elected Rapporteur by acclamation).

ADOPTION OF THE AGENDA (E/CN.12/AC.61/1)

The CHAIRMAN submitted the provisional agenda for consideration.

The provisional agenda was adopted.

COMMEMORATION OF THE TWENTIETH ANNIVERSARY OF THE COMMISSION

Mr. QUINTANA (Executive Secretary) thanked the Government and people of Chile for their cordial welcome to ECLA. He also expressed his appreciation to the Minister of Foreign Affairs of Chile, the delegations and special guests for their attendance at the commemorative meeting, including

/Mr. Hernán Santa Cruz

Mr. Hernán Santa Cruz, one of the founders of ECLA, and Mr. Martínez Cabañas and Mr. Mayobre, both distinguished Executive Secretaries in former years. He deeply regretted the absence of Mr. Prebisch, who had always been in the forefront of the struggle to reduce the inequalities between developed and under-developed countries.

Speaking of the economic development of Latin America, he pointed out that in 1967 the per capita gross product had risen only 1.5 per cent, industrial growth had slackened off, and the limitations imposed by the external sector had become more severe. The progress achieved in 1964 and 1965 had been wiped out by the trend of events in 1966 and 1967, with the result that, thus far in the present decade, the average annual increase in the per capita product had been barely 1.6 per cent. There were naturally marked differences between countries in the over-all picture, since the southernmost countries were in a state of virtual stagnation while there was some growth in Brazil and more dynamic progress in Mexico, Central America and the Andean Group. Sectoral disparities also existed, such as the weakening of the industrial growth rate as import substitution reached saturation point and its future development came to depend on an increase in income levels and the absorption of new social groups into the consumer market.

In the external sector the upward trend of exports had come to a halt in 1967, and their value had remained at practically the same level as in 1966, whereas imports had been 4 per cent higher. The result had been a reduction in the trade surplus and a greater balance-of-payments deficit. The adverse trend of exports had largely been due to the decline in world prices for most of the region's primary exports, which had cancelled out the increase in the volume of exports. Other factors had been the loss of dynamism of the world economy and a further deterioration in Latin America's relative position on world markets. Added to those had been the relative stagnation of intra-regional trade and the expansion of imports, which had led to a sizable increment in net external financing, mainly in the form of a heavy inflow of direct foreign investment. On the other hand, the net contribution made by external loans, particularly over the medium and long term, had been scaled down by the rapid increase in service payments on the external debt. It was necessary to take steps to ensure that the special drawing rights established by the International Monetary Fund would, while reducing the liquidity problems of the developed countries, also help to finance the developing countries.

Although the growth of intra-regional trade had lost much of its vigour, there had been significant institutional developments in regional integration. Those had mainly been due both to the pledge taken by the American Chiefs of State to create a Latin American common market progressively over a period of not more than fifteen years, beginning in 1970, and to the advances in the sub-regional integration of the Andean Group. While striving to quicken the pace of internal economic growth and develop regional and international trade, several countries were also bent upon checking inflation, combating both the harmful effects of inflation itself and those of certain anti-inflationary policies.

Referring to various international events that had affected Latin America, he said that he was concerned by the lack of satisfactory solutions for the region's trade problems, and by the restrictive attitude of the developed countries. The fact that no specific agreements had been reached at the second session of the United Nations Conference on Trade and Development had aroused deep disquiet in the Latin American countries, and demonstrated the difficulty of a process of that kind.

Of the long-term problems confronting the Latin American economy, some were old-established while others were new. Among the former, the most important were the slowness and the uncertain nature of the development process, the lack of dynamism in foreign trade, inflation and unsatisfactory income distribution. The new problems included the weakening of the industrial growth rate, the growing external indebtedness, and the increasing "foreign take-over" of important economic activities.

Apart from those problems, population, employment and marginality had also become motives of concern and subjects of study. Despite the region's favourable manpower/resources ratio and vast potential capacity to absorb manpower, in actual fact employment opportunities were limited, while the rate of population growth was high. This concatenation of circumstances had generated the phenomenon known as "marginality", which afforded painful evidence of the urban and modern sectors' incapacity to absorb the marginal groups.

It was upon those problems that ECLA and the Latin American Institute for Economic and Social Planning were focusing their attention, but new efforts and contributions were sorely needed.

Mr. VALDES (Minister of Foreign Affairs of Chile) said that Chile considered it a privilege to be the host of the Commission, since ECLA had enhanced Latin America's prestige in the international community and had created a new mentality among Latin American leaders of which Mr. Prebisch provided a distinguished example. ECLA had incorporated in the Latin American pattern of ideas new concepts relating to the terms of trade, industrial development, agrarian reform and Latin American integration, which at the outset had been regarded as dangerous heresies.

ECLA's twentieth anniversary marked the end of a fruitful stage. The diagnosis had already been made. The next step was to determine how development was to be achieved, with what people, and for what purpose. Development could no longer be considered as a purely economic process, since that could end only in sterile technological improvements. What was needed was national discipline for development, which in turn required changes in the political, juridical and social structures in order to strike a fair balance between the rights of individuals and rational planning.

The United Nations agencies were obviously debarred from national ideological or political debate, but ECLA could study the political and social structures which impeded development, once again breaking down static patterns in Latin America.

Integration was another of ECLA's broad fields of operation. Despite some progress, integration had not yet affected the basic structures of production in the Latin American countries, because there was no uniform political acceptance of the changes required. That would be understandable were there any other alternative to integration; but since there was not, it was imperative to determine exactly when integration could become a reality. There ECLA could play a leading role; its programme of work might include: (a) a short-term plan of action in which the obstacles to integration would be identified and technical formulas suggested which would enable Governments to adopt essential policy decisions; and (b), a long-term plan to accelerate the integration process, in which Latin America's development possibilities would be considered in the light of recent scientific and technical advances. ECLA's achievements in the past twenty years had opened up hopeful prospects for a future which called for boldness and decision.

Mr. MAYOBRE (Minister of Mines and Hydrocarbons of Venezuela) thought that, from the standpoint of fruitful effort, on few anniversaries could there be as much to show as on ECLA's twentieth birthday. ECLA had revolutionized economic thinking and economic policy in Latin America. It had left behind the stage of analysing conditions in individual countries, and had built up a theory of economic development and an appropriate method of analysis for dealing with the problems of the region as a whole. It had also been the prime mover in the establishment of other regional institutions, such as the Inter-American Development Bank, the Central American Common Market, the Latin American Free-Trade Association (LAFTA) and the Latin American Institute for Economic and Social Planning.

An anniversary was not merely an occasion for recalling achievements, however; the situation in Latin America and the future role incumbent upon ECLA would have to be evaluated, lest ideas should become set in too hard-and-fast a mould, and bureaucracy should dominate the international scene.

In the world at large, economic ideas and policies were changing rapidly, and technological progress was tending to increase the wealth of the more powerful countries, alongside which new industrial centres were growing up, with an ever-widening gap between them and the under-developed countries. Latin America was an under-developed continent, and although among the less advanced regions it was not the farthest in the rear, it was falling behind for a number of reasons, both external and internal.

International trade, which was the principal dynamic factor in the growth of the Latin American countries, was failing to improve, not merely from the economic standpoint, but also where policy was concerned, as was shown by the results of the second session of UNCTAD.

More complex and more pressing were the problems of financing. He was in agreement with the countries that were urging the United States to take the necessary steps to strengthen the position of its currency and rescue the monetary system from a critical situation; but there was no doubt that such measures might affect Latin America through the restriction of investment, reinvestment and loans, and the region would therefore have to adopt energetic internal measures to avert the danger of an economic depression.

Through the social policy that was being applied in Latin America in the fields of land reform, housing and education, some headway was being made towards the improvement of income distribution, although the goals that had to be reached were still a long way off.

Progress towards integration had been slow. At the Meeting of American Chiefs of State a number of decisions had been adopted to speed up the process, but in practice many stumbling-blocks had arisen, with the result that the second round of IAFTA negotiations had not been completed, and a feeling of scepticism was spreading among the countries of the region.

At a juncture when Latin America's rate of development was slow and inadequate and relations with the rest of the world had taken a difficult turn, it was essential that ECLA should step in to play its part - not to go on establishing instruments or devising formulas which in practice had fallen short of requirements, but to review the whole of the economic process through which Latin America had passed, in order to discover the path it should follow in the future and the role that the region should play in the world economy.

Mr. PAW U (United Nations Secretariat) read out a message from the Secretary-General regretting his inability to be present on the occasion of ECLA's twentieth anniversary, congratulating the Commission on its achievements during the past two decades, and expressing his good wishes for its success in the future. The Secretary-General stressed ECLA's contribution to the regional integration in Latin America and to the establishment of such regional and sub-regional bodies as the Latin American Free-Trade Association, the Central American Common Market and the Inter-American Development Bank. During the past twenty years, the Commission had extended its radius of action and it seemed now the propitious moment for taking bold steps to meet the challenge of under-development. Although the progress achieved in the last two decades had been commendable, the current slow growth of the Latin American economies called for the member Governments of the Commission to make even greater efforts to accelerate the economic and social development of the Latin American countries.

The meeting rose at 12.45 p.m.