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President: Mr. Hernán SANTA CRUZ (Chile).

Present: Representatives of the following countries:

Belgium, Canada, Chile, China, Czechoslovakia, France, India, Iran, Mexico, Pakistan, Peru, Philippines, Poland, Sweden, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay.

Representatives of the following specialized agencies:

International Labour Organisation, United Nations Educational, Scientific and Cultural Organization, International Refugee Organization.

Annual report of the Economic Commission for Latin America (E/2021 and Add.1)

1. The PRESIDENT, opening the general discussion on the annual report (E/2021),¹ of the Economic Commission for Latin America (ECLA) observed that, of the three draft resolutions submitted to the Council by the Commission (E/2021 resolution 35 (IV) A, B and C), draft resolutions A and C were bound up with the decision to be adopted by the Council in connexion with item 36 of its agenda.

2. Mr. SCHNAKE VERGARA (Chile) said that his delegation believed that, in view of the work done and the results obtained, ECLA should be continued indefinitely and deserved greater financial assistance.

3. Thanks to the methods of work adopted by its Executive Secretary, Mr. Prebisch, ECLA had considerably developed its contacts with the governments of the States in that region, and had now emerged from the phase of making studies and entered on that of making specific recommendations to Member Governments. That progress was particularly apparent in resolution 9 (IV), in which ECLA invited the five governments of Central America to form a committee on economic co-operation; and in resolution 10 (IV), which authorized the Executive Secretary to call meetings of industrial experts to examine Secretariat studies on the steel, wood-pulp and paper, basic chemicals and foodstuffs industries before submitting them to the Commission.

4. At its fourth session in Mexico City in June, ECLA had laid great stress on the development of agricultural production. In that connexion, it had adopted an important resolution (resolution 15 (IV)). The implementation of the respective recommendations would depend essentially on the initiative of the various governments as well as on the extent to which they would be able to ensure that plans for agricultural development were co-ordinated with those for industrial development. In that connexion, ECLA had strongly urged the countries concerned to do their utmost to maintain a reasonable balance between the various sectors of their economies.

5. The Chilean Government wholeheartedly supported the general recommendations set forth in ECLA's report. During the past ten years, Chile had been carrying out an industrial development programme, which had brought about a rise in iron and steel and electric power production, with a consequent increase in the industrial population. As wages were much higher in industry than in agriculture, an increased demand for consumer goods which the country's agriculture was unable to meet had arisen. Accordingly, while continuing to carry out its plans for electrification, the development of the steel industry and the exploitation of its oil resources, Chile had embarked on a programme for modernizing agriculture by increased mechanization and the expansion of stock-raising. For the implementation of that plan, it counted on the co-operation of the Food and Agriculture Organization (FAO) and the International Bank for Reconstruction and Development.

6. In that connexion, he drew attention to resolution 16 (IV) on the forthcoming establishment at Santiago de Chile of a Latin American training-centre on agricultural programme planning.

7. ECLA had also dealt, in its resolution 17 (IV), with the question of forest production. In that respect the Latin American countries were in a paradoxical situation: although they possessed an abundance of forest resources, they were unable to satisfy their own timber requirements, comparatively modest though they were. Governments were hesitating to prepare programmes which they would be unable to implement for lack of adequate resources. On the other hand, international financing was not possible for the very reason that the plans had not been

¹ See *Official Records of the Economic and Social Council*, thirteenth session, Supplement No. 8.

drawn up. In order to enable them to escape from that vicious circle, international organizations must be in a position to give certain financial assurances to the countries concerned.

8. In resolutions 18 (IV) to 22 (IV), ECLA had examined the various aspects of the problem of external trade, and especially the effects of rearmament in the United States on trade with Latin America, on Latin American-European trade, and the capacity of the United States to absorb Latin American products. It had noted, in its resolution 20 (IV), the importance it attached to inter-Latin-American trade, which should steadily improve despite the difficulties arising mainly from the great distances involved, the high cost of transport and its insufficient development.

9. ECLA had also examined a large number of other questions, in particular the financing of economic development, which had been the subject of a brilliant study by the Secretariat. It had also considered the questions of the necessary co-ordination with the specialized agencies, the co-ordination of its own work with that of the Inter-American Economic and Social Council and the need for revising and extending its own terms of reference.

10. In resolution 2 (IV), ECLA had made a first attempt to define certain standards that could be applied by the governments of the various States in preparing national programmes of economic development. With regard to the financial aspects of economic development, in its resolution 3 (IV) it had called the attention of the governments concerned to the need for increasing the rate of capital formation in Latin America by encouraging national savings.

11. ECLA had emphasized the importance of technical assistance and considered that its Executive Secretary might usefully assist the various governments in obtaining that assistance. Further, in its resolution 4 (IV), it had recommended the establishment of an ECLA centre for economic development, where specialists, of whom there was a shortage, could be trained, and had noted the special opportunities for in-service training which existed in ECLA's Secretariat.

12. During its fourth session, ECLA had paid special attention to the question of co-ordinating its work with that of the Inter-American Economic and Social Council and to that end had proposed the establishment of a special committee on co-ordination (resolution 31 (IV)). In that connexion, he was glad to note that the Inter-American Economic and Social Council, then meeting at Panama, had given its consent to the establishment of such a committee.

13. In conclusion, the Chilean representative recommended that the Council should adopt the three draft resolutions submitted to it by ECLA. He also drew attention to the Commission's work programme and priorities established at its fourth session, which took full account of Council resolution 362 (XII). As to the financial implications (E/2021/Add.1), he noted that the increase in expenditure foreseen was partly due to the fact that Portuguese was to be used as a working language at ECLA's forthcoming session to be held in Rio

de Janeiro. It would indeed be paradoxical if the actual language of the country could not be used at a session held in Brazil.

14. The Chilean delegation was glad to announce publicly that its Government was extremely grateful to the Executive Secretary of ECLA, Mr. Prebisch, who, with the full confidence of the governments of Member States, had so successfully directed the work of the Commission, the establishment of which, it would be remembered, had been proposed in 1947 by the President of the Council, Mr. Santa Cruz.

15. Mr. DE BEAUVERGER (France) said that he had the honour of representing the French Government in one of the countries of Latin America and had thus been able to observe that the problems there were as immense and varied as the continent itself.

16. In 1948, ECLA had been entrusted by the Economic and Social Council with the difficult task of helping the Latin American countries to overcome maladjustments in their economies. It could now be said that the ability and enthusiasm of ECLA's Executive Secretary and his staff had been equal to the task.

17. The directives they had received had allowed them to some extent a free hand in so far as it was for them to choose the methods of work and to decide on which subjects to investigate. They had been asked but one thing—to begin without delay and to succeed.

18. A more timorous team would doubtless have used the analytical method, and before embarking on that great venture—the co-ordination of the economies of a whole continent—they would have made a lengthy study of each specific difficulty and attempted to solve it. They would have been inclined to set themselves up as merely technical advisers and to offer advice to each country in turn. Meanwhile, the problem of the general co-ordination of the economy, which after all was the essential problem, would doubtless have become still more refractory.

19. Mr. Prebisch's staff had not neglected the individual studies of each of the countries in question; but having constantly fixed their attention on the final goal—namely, integration of national economies into a single whole—they had deliberately chosen the Cartesian method, endeavouring to work out a policy sufficiently flexible to cover individual cases. Alone among the regional commissions, ECLA had not set up any subsidiary organs to study special problems. It had preferred general ideas to analysis, but that boldness of conception did not mean that its recommendations were any the less specific.

20. The value of the methods used could be judged by the gratitude of those concerned, eloquent testimony to which was to be found in the fact that the delegations of the Latin American States had decided to include in their report to the Economic and Social Council "a section explaining the reasons not merely for continuing ECLA indefinitely, but also for expanding its functions, so as to make it the largest joint economic organization yet set up by Latin American countries". Thus, after three years,

ECLA had won its rightful place among the organs of the United Nations.

21. If its work since 1948 were examined, it could be seen that it had first attempted to stimulate the economic development of each Member State by giving it the benefit of the experience acquired by its neighbours and by replacing empirical methods of agriculture by regional methods. Such progress, which was also to be observed on the intra-regional level, was due not only to the excellent work done, but also to a spirit of co-operation, which made each member of the Latin American community endeavour to solve its own problems while co-operating in the solution of problems affecting the whole region. Such collaboration could only be strengthened by the proposed establishment of a Latin American training-centre on agricultural programme planning and an ECLA centre for economic development.

22. During previous sessions, ECLA had already devoted attention to technical assistance, and at its fourth session it had adopted resolution 4 (IV), which provided for the establishment of a centre for economic development in Latin America; the French delegation was glad to note the considerable progress recently achieved by ECLA's Secretariat in the field of technical assistance.

23. Resolution 9 (IV), already mentioned by the Chilean representative, met a need for co-ordination on a more limited scale by inviting the five governments of Central America, on their own initiative, to form a committee on economic co-operation for the integration of their economies.

24. Resolution 15 (IV), concerning agricultural improvement, merited the Council's full attention, as also did resolution 17 (IV), which dealt with forestry.

25. Agricultural problems were not the only ones with which ECLA had dealt; it had also given prominence to the various facets of industrial development and trade problems, and especially regional trade problems (resolution 20 (IV)).

26. Draft resolution B submitted by ECLA contained a recommendation for approval by the Council concerning the granting of the necessary funds to implement the Commission's programme. In view of ECLA's comparatively modest expenditure, the high quality of its work and the strong justification for the expansion of its activities, the French delegation would vote in favour of the financial recommendation and also, when the time came, of the draft resolution as a whole.

27. The French delegation was happy to pay public tribute to ECLA, whose activities deserved encouragement. The high standard of discussion which ensued there, and which had never deteriorated, gave legitimate cause for satisfaction, and France had high hopes for the future of a co-operation initiated in an atmosphere of friendship and trust.

28. From the point of view of trade, French exports to Latin America went far beyond mere luxury goods. In particular, under the agreements concluded at the beginning of 1951 with Peru and Colombia, France was supplying considerable quantities of heavy machinery for the development of the metallurgical industry. In

addition, exports from France to Argentina for the first ten months of 1950 had amounted to 29,000 million francs, against imports to the value of 25,000 million francs, and a new agreement signed with Argentina would probably produce even higher figures.

29. But in addition to such material links there was also a common tradition, the strength of which France had had occasion to appreciate during the years of adversity. The liberation of Paris had been greeted in the various capitals in Latin America by demonstrations to celebrate the end of the years of misfortune when Latin civilization, that common heritage of the Old and New Worlds, had all but collapsed.

30. Mr. ADARKAR (India) congratulated ECLA and its Secretariat on the results they had achieved within the short period of the Commission's existence. A cursory glance at its report was sufficient to show that the basis for research into the fundamental problems of Latin American economy had been well established. ECLA, like the Economic Commission for the Far East (ECAFE), was, however, now emerging from the research stage into that of practical work. Indeed, the problems of the two commissions were similar in that they were concerned with assistance to under-developed countries in the form, for example, of the financing of economic developments, technical and scientific advice, and the elimination of poverty. However, whereas the size of the populations in the different regions of the Far East was a large contributory cause of poverty in that part of the world, the Latin American countries in general had relatively small populations, which they sought to increase by immigration. Such a population shortage was an enormous advantage by comparison with the Far East, but India was by no means envious of the Latin American countries.

31. Another point of comparison between the two commissions was the importance they attached to the problem of economic development. In that respect, his delegation had been somewhat perturbed to see from part II, section C (b), of ECLA's report how that Commission had debated the old question whether, in furthering the economic development of backward countries, more emphasis should be laid on industrialization than on agricultural progress. Such discussions were futile, since true progress towards economic development depended on the maintenance of an over-all balance between industry and agriculture and their diversification, as well as on the development of other activities.

32. In that connexion, more highly developed countries often objected that the industrialization of backward areas would prejudice their own trade interests. Such a view was absolutely false since, as several economists had pointed out, the economic progress of the regions covered by ECAFE and ECLA, far from being disastrous to the trade position of more advanced countries, would rather create markets for their goods by raising the living standards in Asia and Latin America. President Truman had said that industrial development would not be disastrous to United States interests, but would create markets for its products. In fact, Europe was the largest market for American goods and, to a great

extent, the United States was the largest market for European goods. Similarly, before the Second World War, Germany, one of the most highly industrialized countries in the world, had been the greatest single market for United Kingdom goods. No industrial economy could remain complete and self-contained, and even the economies of the most highly industrialized countries in the world showed gaps which could be filled only by co-operative trade. In other words, the development of industry in under-developed countries would still provide ample scope for international trade and would lead to its expansion.

33. The report also raised the problem of financing economic development, mentioning guarantees for foreign investors as well as the question of double taxation. That problem, however, had already been amply discussed in the Council and had been the subject of a resolution by the Council.

34. The problem of inflation and the accumulation of foreign exchange earnings following the present rearmament movement was similar in the regions covered by ECLA and ECAFE. In many countries, the accumulation of foreign exchange balances had led to internal inflationary pressures. The rise in world prices had had severe repercussions on the internal prices of the regions covered by ECAFE and ECLA. In that respect, the report expressed concern for the future course of Latin America's terms of trade and the internal inflationary effects of the probable accumulation of exchange balances. Discussion within the Commission had centred on various means of solving those problems, including the negotiation of bilateral agreements that would contain guarantees on the maintenance of the purchasing power of exchange balances and the orderly liquidation of those balances.

35. The Executive Secretary, in his progress report in appendix C of ECLA's report, had pointed out: firstly, that it was impossible to say to what extent foreign exchange balances would be useful for the future purchases of capital goods as well as essential consumer goods, because it was not known how high prices would rise in the large exporting markets; secondly, that the accumulation of foreign exchange would lead to intensification of the inflationary pressure that was common to most of the Latin American countries; and, thirdly, that the export difficulties of the more advanced countries did not affect all goods equally, and there were thus consumer goods whose export in large volume could be continued. And the Executive Secretary had added that, if no policy were planned in advance, there was a risk that foreign currency might be used in immoderate amounts to acquire consumer goods, to the detriment of future purchases of capital equipment when the present shortage was relieved. The Indian delegation was in complete agreement with the views of the Executive Secretary of ECLA, since, if the accumulation of foreign exchange was not properly protected, it would lead to extremely undesirable consequences both in the countries whose currency was accumulated and in the countries accumulating it. Thus the United States and the European countries should encourage the countries of Latin America and Asia to hold balances on equi-

table terms. Indeed, such balances were almost the same as short-term loans. In that respect, the United Kingdom's policy in regard to sterling balances was progressive, since it encouraged countries to join in the sterling *bloc* on the basis of guarantees of convertibility at a stable rate. Such guarantees benefited both the giving and the receiving countries. However, it was stated in appendix C, section 2, of the report that the accumulation of foreign currencies meant the granting of credit to Europe and that it was not known how and to what extent such credits could be liquidated in the future by the acquisition of capital goods and other essential articles. There seemed, therefore, to have been a reversal of trends. Instead of Europe or the United States granting credits to Latin American countries, the latter would be forced to grant credits to the former in the shape of its exchange balances. That problem should be studied by the countries concerned.

36. The problem of the importation of capital goods was raised in appendix C, section 3, of the report, where it was stated that it was clear that the unavoidable reduction of imports of capital goods into the countries of Latin America would cause a fall in their rate of growth for some time to come. Such a state of affairs would considerably impede the economic development of Latin American countries. His delegation felt strongly that capital goods should be supplied relatively soon, and at reasonable prices, if the rate and costs of economic development were to be maintained at a reasonable level. It agreed that the inflation that had arisen since the Korean war had started should be controlled in the regions of both ECLA and ECAFE, but not at the expense of economic development. It fully supported the view on inflation, put forward in appendix C, section 4, of the report by the Executive Secretary of ECLA, in particular that an anti-inflationary policy, if it were to merit the support of and inspire conviction in the men who had to apply it in Latin American countries, must be backed by recommendations which permitted acceleration of the rate of investment and did not stand in the way of certain opportunities for development.

37. Referring to draft resolutions A, B and C, upon which the Council was required to take a decision, he said that he supported them, but proposed that, in order to avoid any overlapping in the discussions, it might be desirable for the Council to discuss draft resolutions A and B fully at the present stage. A provisional decision might be taken upon draft resolutions A and C with any amendments which might be agreed to, although any final decision on those two resolutions would depend on the completion of item 36 of the agenda. It would, however, be possible for the Council to reach at once a final decision on draft resolution B.

38. Commenting on paragraph 3 of draft resolution A, he said that the amendments in ECLA's terms of reference proposed therein had already been proposed for ECAFE, and he believed that they were fully acceptable since they laid additional emphasis on the importance of economic development.

39. He considered that the additional costs estimated for the immediate future were reasonable, and his delega-

tion would therefore have no hesitation in accepting draft resolution B. He believed, however, that some clarification was required of parts II and III of the Secretary-General's statement of financial implications (E/2021/Add.1), concerning the extent to which the United Nations and the Brazilian Government respectively were committing themselves in regard to the costs of holding ECLA's fifth session at Rio de Janeiro, and more particularly the costs involved in the use of Portuguese as a working language. His delegation would welcome a definite proposal concerning the question of holding the fifth session at Rio de Janeiro in order that the Council might give the matter its full consideration.

40. The PRESIDENT agreed with the Indian representative that the Council could take a final decision on draft resolution B at the present stage. He thought, however, that it would be premature to discuss the latter part of draft resolution A and draft resolution C until the Council had had an opportunity to study the report of the *Ad Hoc* Committee on the Organization and Operation of the Council and its Commissions. The date of ECLA's fifth session would, moreover, depend on the decisions to be taken by the Council with regard to its calendar of meetings for 1952. Furthermore, no decision was required on draft resolution C as it stood. He supported the suggestion that discussion of draft resolution A should begin immediately. Delegations would then be able to decide in the light of the discussion whether a vote should be taken at the present stage or not.

41. In answer to Mr. Ismail (Pakistan) as to whether the Council should not advance the discussion of item 36 of the agenda so as to take it up before discussing draft resolution A, he said that he believed it would be in order for the Council to discuss draft resolution A, since it coincided with the unanimous recommendation of the *Ad Hoc* Committee. He suggested, therefore, that the Council might decide to complete the discussion on the report of ECLA first of all and then discuss part of item 36 of the agenda—i.e., that part of the *Ad Hoc* Committee's recommendations that related to the regional economic commissions, and take the relevant decisions. The draft resolutions awaiting decision in ECLA's report could then be voted upon at that stage.

42. Mr. ISMAIL (Pakistan) said that he had noted with satisfaction the appreciation of ECLA's work expressed by Latin American countries. He wished particularly to commend the decision to establish an ECLA centre for economic development and to undertake specific industrial studies, which he believed would prove an effective addition to the Commission's activity.

43. His delegation had noted the references made in the report to the need for a continuing and increased supply of capital equipment, which, as had been stressed by his delegation when speaking on the question of financing the economic development of under-developed countries, was absolutely essential for the development of those countries.

44. He commended the action taken by ECLA in preparing a study of the effects of the United States defence

programme on trade in Latin America and other trade studies. He had heard with much satisfaction the statements of representatives of Latin American countries concerning the contribution made to their national economies with the help of ECLA and had been particularly gratified to hear that co-ordination had been achieved with specialized agencies and other regional agencies.

45. ECLA's study on the question of encouraging foreign investments should be of considerable benefit to those countries which were seeking to encourage such investments. It had been pointed out that economic development depended primarily on the efforts of the countries themselves, together with the aid which might be granted them in the form of external financial grants. He agreed that increased savings from a growing national income would contribute towards achieving economic development without incurring inflation. It should, however, be remembered that in most under-developed countries the standard of living was at present extremely low and that consequently no substantial savings could be expected for the time being. Domestic savings should, of course, be encouraged as income increased. Nevertheless, capital formation was a slow process and it was essential that the flow of foreign investments should be encouraged in the meantime.

46. He emphasized the essential need in all under-developed countries for using increased earnings to cover basic requirements of capital goods and raw materials. Unless that were done, not only would such countries be unable to achieve progress in their development programmes, but inflationary pressures would also tend to develop. Such goods should therefore be made available to the full extent to which countries were able to pay for them with their own exports or with such other monetary aids as might be available to them.

47. Confirming his delegation's support for the continuance of the regional commissions, he said that, in his opinion, the stage had been reached where ECLA and ECAFE should emerge from the phase of compiling studies, which had indeed been very valuable, and proceed to formulate specific recommendations for action by Member Governments in order to help implement the development programmes of under-developed countries. A part from capital goods, to which he had already referred, he would like to emphasize the need for increased technical assistance.

48. Mr. HUYBRECHTS (Belgium) recalled the special interest taken by his country in the development of trade and in commercial relations with the transatlantic countries and expressed the hope that its trade with Latin American countries would be developed still further. The Belgian Government would accordingly welcome endorsement by the Council of ECLA's recommendation that the Commission be continued indefinitely and its functions expanded.

49. As the Belgian delegation had already stated, its Government would firmly support every effort to widen the movement of trade with Latin America, a problem into which ECLA, in close collaboration with the Economic Commission for Europe (ECE), had gone more

deeply during the past year, in particular by its study of the obstacles to the importation of capital goods, and especially agricultural equipment, into Latin America—a line of inquiry which should be pursued.

50. It was of great importance to find means of solving payments difficulties and the problem of the transferability of certain foreign currency balances into other currencies. The Commission's attention had been drawn to the conclusion of bilateral agreements incorporating certain guarantees and also to the question of the transfer of European currencies through the medium of the European Payments Union. It was in that direction that a solution might be found for the dollar shortage from which European countries were suffering. Regional commissions might contribute to the solution of those problems, as ECLA and ECE had done last year.

51. In resolution 6 (IV), ECLA dealt with immigration problems, for which the population pressure in certain European countries made it increasingly urgent to find a solution. While the problem was not so acute for Belgium itself, it was of special concern to the Nether-

lands, which was prepared to take part in any international action to solve it. The Belgian delegation therefore supported resolution 6 (IV) and hoped that it might be rapidly translated into practical steps, more especially because one of the Benelux countries had a particular interest in it.

52. In connexion with technical assistance, the Commission had stressed the shortage of qualified economists. To help remedy that shortage, the Belgian Government, which had already provided other nations with the assistance of a number of capable experts, was prepared to continue its efforts.

53. Although his delegation approved, in general, of ECLA's report and resolutions, it regretted that it could not support resolution 29 (IV) requesting that Portuguese be adopted as one of the Commission's official working languages. As the implementation of that resolution would involve supplementary budgetary appropriations, which the 1950 General Assembly had refused to sanction, it would be inadvisable to create a precedent of that sort.

The meeting rose at 1 p.m.