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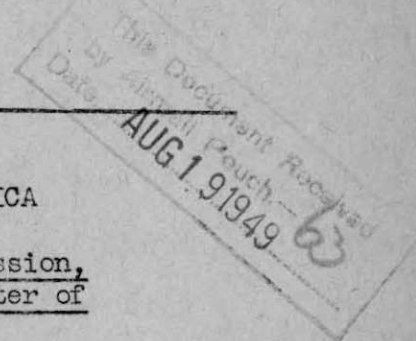
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ECONOMIC COMMISSION FOR LATIN AMERICA

Speech by the President of the Commission,
His Excellency Alberto Baltra, Minister of
Economy and Commerce of Chile



I am honoured as President of the first session of the Economic Commission for Latin America to have the duty of inaugurating now, in this beautiful and hospitable Cuban land, the second session, where are gathered, as previously in Santiago de Chile, the representatives of the different countries making up the continent those of the United Kingdom, France and the Netherlands, as well as the personnel of the United Nations, associated in the common and noble aim of clarifying the problems which affect our economies and of finding through generously given international co-operation the solutions which will allow us to overcome present difficulties and to achieve the steps in economic development which our people look forward to with all the right which the wealth of their lands and the virtues of their inhabitants confer upon them.

On behalf of the Economic Commission for Latin America, I wish to express to the government of Cuba, and especially to his Excellency the President of the Republic, who has honoured this meeting with his presence and his words, our sincere gratitude for the cordial reception we have been given. I greet the Heads of the States who are represented in this second session, the

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/honourable delegates,

honourable delegates, the Secretary-General of the United Nations, and its representatives, as well as those of other international organizations.

During the course of the session in Santiago, it was generally agreed that it was necessary and urgent to make a study of the economic situation in Latin America, as it became obvious as specific problems were examined and solutions sought, that the attainment of results was impeded by the lack or deficiency of the necessary information. Also, though our problems are often similar, we have not been able yet to get an exact knowledge of the facts, nor to interpret them correctly, relating them in a co-ordinated structure scientifically conceived. For this reason it is common that economic questions relative to Latin America be treated according to the criteria prevalent among those handling similar problems in the great economic centres of the world, which are not always adequate to our situation or entirely applicable to our problems.

It follows, from this point of view, that it is a pressing task of these countries to examine objectively their economic realities, to clearly establish their real interests, appreciate the possibilities of legitimate development and on such a basis to establish the plan which inside formulas of general international co-operation will allow them to carry out their aspirations, avoiding dispersion of effort, and to consider the common factors among our people, without forgetting the differences and specific characteristics which have been imposed on us by nature.

/On these considerations

On these considerations a resolution was passed at the first session directing the Executive Secretary to make a study of the economic situation in Latin America, which, having been completed, will now serve as a background for debate and as a basis for such resolutions as may be adopted.

In this study, which is the first serious effort to ascertain the fundamental problems of the Latin American economy, the conclusion is drawn that industrialization is the principal means for securing the benefits of technical progress attained by the highly developed countries, and for raising gradually standards of living in order to satisfy the desire for betterment which exists among these nations and the requirements of elementary social justice.

In the speech, which as representative of my Government, I had the honour of delivering almost a year ago, on receiving the delegates to the meetings in the capitol of Chile, I said that Latin America, a land of agriculture, stockraising and mining, an exporter of raw materials and foodstuffs, needed industrialization because this was the only way whereby those characteristic traits of its economy, from which stem the basic difficulties which afflict it, could be modified.

In truth the most summary analysis of economic process in our countries shows that exports are almost entirely made up of products of the soil and subsoil, whereas imports are in the greater part manufactures. This analysis also shows that in every country in Latin America a small number of products make up the bulk of its exports and therefore these products have a decisive influence upon the level of assets in its balance of payments.

/As a result

As a result, the economic structure, rests on a very vulnerable base, as it is only necessary for the volume of sales or the market price of these products to drop for normality to be disturbed, and in certain cases progress may be interrupted, or advances gained with work and sacrifice may be lost.

Since, as has been stated, the principal sources of foreign exchange are unstable, whereas the need for imports can only be reduced within narrow limits, because they generally satisfy essential requirements for the normal functioning of the economy, it is sufficient for these few products to have lower sales or lower prices to appreciably reduce the total value of exports, forcing a reduction in imports; this results in supply shortage, industrial production difficulties, commercial stagnation, a reduction in tax receipts and in a general disruption of the various aspects of economic life.

As a result, the Latin American economies are weak, dependent and unstable, due to the semi-colonial structure which they still retain, whereby they produce and export raw materials and foods, with the aggravating factor that in the majority of these countries the greater part of exports is made up of a small number of commodities which determine the volume and value of their foreign trade. Through industrialization, by making use of the natural resources and raw materials of each territory, the Latin American nations can find the means of changing the structure of their economies and make them strong, independent and stable.

/Industrial development

Industrial development will allow them to become independent of outside markets for the supply of goods which they can produce themselves and to diversify their exports so as to protect them from the contingencies and fluctuations of the world economic cycle. Such a development must be based on the natural possibilities and on the capacity of the market so that the industries which become established or are created can live without the help of excessive protection.

Our countries are not guided by unacceptable autarchic concepts when they look to industrialization for a solution to their difficulties, but by a legitimate ambition based on the rights which they derive from the natural resources given them by their respective territories. It is also in obedience to a deeper motive of our historic destiny, as we are certain that it is only through industrial development that the economies of Latin America can improve the living standards of the people, bringing them true welfare and enduring prosperity through which we will strengthen our democratic institutions, whose improvement we relentlessly pursue.

There is no doubt that true well-being cannot be obtained without increasing the average real income of the population, which at present is low in most of those countries. To attain this, productivity must be increased, which means that labour must reach its highest efficiency. Experience shows us, with the example of the United States and other industrial countries, that only thus can the real income of the masses be increased, and the capital can be created which must constantly be

/invested to

invested to use the latest technical developments, which on their part lead to a greater productivity of labour.

We must industrialize in order to increase labour productivity, and at the same time we must modernize and mechanize agriculture so as to free it from the technical backwardness which it shows in most Latin American countries, in order to satisfy the demand for foods and to reduce costs. This will increase the productivity of agricultural labour so that the real income of the farming population will increase and lead to an expansion of the market for domestic manufactures. Both aims require amounts of capital and this factor is of such far-reaching importance to our future that certain comments are brought to mind which must be presented now at least in their more fundamental terms.

In the Latin American nations, the rate of capital formation is slow and is far from meeting the most pressing requirements. On the other hand, this formation depends in last analysis on the gradual increase in labour productivity. We are therefore in a vicious circle, since to increase productivity we require ample capital and to form this capital we must increase this productivity.

To break this circle there does not seem to be any other way but the initial assistance of foreign capital, on condition that this capital is invested so as to increase the productivity of labour, making possible the formation of domestic capital which in the future can replace foreign capital in the new investments called for by technicological progress and population growth.

/Until the

Until the last great economic crisis, the Latin American countries supplemented their capital with foreign resources obtained through the floating of loans which allowed them to carry out development projects that otherwise could not have been started until many years later.

These loans, due to their nature, gave our countries the foreign exchange needed to import materials for these works as well as the domestic currency necessary to finance internal expenses. The added resources provided by foreign capital covered every aspect of the deficiency of domestic capital. This method broke down with the events occurring at the time of the great depression, which in many countries made it impossible to service the exterior debt. Unhappily, few remember how this came about and the deeper causes are forgotten, they refer principally to the manner in which the chief cyclical centre of the world directs and influences the dynamic interplay of economic forces. The analysis of all this would require more time than it would be prudent to take in a speech.

The movement of capital towards Latin America started again in the last decade, taking on forms different from those we had seen up to the time the great depression produced its effect. It is made up of credits granted by North American official agencies, such as the Export Import Bank, to the governments or public bodies of our countries. Lately, a new source of money has presented itself with the International Bank for Reconstruction and Development created as a result of the Bretton Woods Pact, and which operates in a manner similar to the aforementioned institution.

In both cases, the loans received by the countries of Latin America only provide the foreign exchange for the importation of equipment needed to carry out projects approved by the institutions referred to above. The countries, with their own capital resources, must finance the current internal expenses to complete the projected works. The capital assistance therefore only partially covers the insufficiency of local capital and for this reason these credits fix close limits to the possibility for a wider economic development.

In these circumstances, it seems necessary that these institutions of international credit should modify the character of their operations in such a way that they provide our countries not only with foreign exchange needed to buy materials which must be imported for these projected works, but also with the cash requirements for meeting expenses inside the territory. Thus, the capital assistance, as was the case previously with loans, will be complete and the exchange which is converted for internal expenditure will improve the balance of payment, allowing at the same time further imports of capital goods.

It is also necessary to see to it that these investments of foreign capital produce an increase in working efficiency and build up the necessary capacity for future repayment, that is to say, that this capital be invested in projects which increase productivity and reduce, directly or indirectly, imports payable in the same money in which the obligation was incurred, in order to guarantee the regular service of this obligation

under the present conditions of world trade.

Credits granted to governments or bodies which represent them are essential for projects of economic development such as electrification, irrigation, transportation, which require very large capital but are not in general attractive to private initiative and nevertheless are essential to the establishment of conditions favorable to industrial and agricultural development of extensive areas.

There is no doubt that our countries need the help of foreign private capital, but it is only possible to carry out projects such as those mentioned above with resources obtained directly by the governments. This fact must not be passed over when the economic problems of Latin America are considered and this means that the cooperation of these international institutions is of fundamental importance in the economic development of the Latin American countries.

We want, as we have said, the cooperation of foreign private capital and believe that by means of agreements with the countries in a position to furnish this capital certain of the difficulties which up to now have prevented its movements, almost completely broken off since the depression, can be removed.

To do this we must offer investors treatment equal to that received by local capital and a guarantee of transference for equitable profits to the country of origin. Laws alone will not inspire the confidence which capital needs, the law must be reinforced with governmental practices which meet the promises and effectively

/carry out

carry out the spirit of the law. We insist that it would be a powerful incentive to the flow of foreign private capital into the countries of Latin America if double taxation were done away with so that the only taxes borne by this capital would be those of the country where the profit is produced.

The scarcity of dollars which already appears in many of the Latin American countries is a serious problem to which we must refer to once more, if only in general terms.

It is possible that we may be faced with a persistent tendency towards disequilibrium which would come from the fact that the United States has been continuously reducing the co-efficient of its imports, which in 1929 made up 5% of the national income of that country and at present only attains 3%. To appreciate the importance of this decrease, it is worth noting that United States imports in 1948 reached the high figure of US 6,900,000,000., whereas, if the percentage of 5% had been maintained it would have been US 11,500,000,000.

Simultaneously, with diminishing purchases by the United States we find in the countries of Latin America a tendency to increase imports payable in dollars, due to, among other causes, the fact that technical progress in the United States causes the demand for capital goods which comes with industrialization to look for its satisfaction principally in that market. The foregoing is aggravated by the fact that many products essential to modern economic life, such as petroleum and its by-products and certain of the most important raw materials and foods,
/though produced

though produced in countries outside the dollar area are traded in this currency. It is certain that economic recovery in Europe allows us to reestablish interchange with those countries, but these in turn, lack dollars and we are through force of circumstance brought to bilateral commercial formulas which often forces us to accept imports, sometimes expensive or which do not adequately meet our requirements.

This also means the initial weakening of the system of multilateral trade considered during the war the basis for future peace, incorporated in the pacts of Bretton Woods subscribed to by almost all the Latin American nations and which the United States supported with pertinacity. One notices a certain contradiction between the efforts which are deployed to remove from international trade the limitations from which it suffers and the movement resulting from the play of economic forces which is leading us towards bilateral trade arrangements.

The abnormal situation of the balance of payment, as a result of the dollar shortage, has a tendency to aggravation with the present price readjustments occurring in the United States market. Experience shows that the relationship between prices of raw materials and foodstuffs which make up the bulk of our exports and the prices of manufactured products has persistently changed in a way unfavorable to the former. Thus, in the past decade with the same quantity of primary products it was possible to purchase 63.5% only of the manufactured products which could be purchased in the seventies of the previous century.

/In periods of

In periods of expanding economic activity the relationship mentioned above initially favors, and with greater strength, the prices of raw materials and foods and that is what happened during the war, without nevertheless a completely free play of forces as it was considered opportune to establish limits for those prices as well as the prices of industrial products.

In periods of economic contraction, the relationship moves in a manner adverse to the price of raw materials and foods, and while we cannot say at the present time that we are in such an economic phase, the readjustment to which we have referred, is causing the relationship to move according to its normal tendencies, and as wartime controls are absent, this movement is occurring freely, so that our countries must suffer all its unfavorable consequences.

As we have previously said, almost all Latin American countries experience the effect of economic fluctuations in the great markets of the world through their balance of payment which as they show credit or debit balances act as stimulating or disturbing influences on their internal economies.

We have also said that as a general rule the exports of Latin America are concentrated in each country on a restricted number of products which determine the volume and value of their trade and consequently the relative position of their balance of payment. For these reasons, the price readjustments now occurring are the subject of serious concern and though each country affected by it will adopt such measures as it can command to counteract its bad effects, there is no doubt that there is a field here for well considered and fruitful international collaboration.

The statements made by His Excellency, the President of the United States in his inaugural speech, have encouraged the people of Latin America and opened up for them a new horizon of hopes. For the first time these countries have received from the United States a firm and solemn promise that the needs of their development will be considered on a basis equal to that which resulted in the help furnished to the regions devastated by the war. Among the interesting ideas put forth on that occasion by the President of the United States, some should be brought out for the deep significance which they carry and their great importance for the people gathered here in this Second Session of the Economic Commission for Latin America.

President Truman stated that a great world-wide effort should be made to secure peace, abundance and liberty, as the poverty in which certain countries live is an obstacle and a menace for them as well as for more prosperous areas. He recognized thus that prosperity or depression, expansion or crisis, are indivisible given the complexity and interdependence of the contemporary economic world. For geographical and other reasons, this solidarity in progress or regression is even greater between the nations of this continent, covered by a common inseparable destiny, so that we can affirm that prosperity of Latin America and its economic progress not only directly benefit our countries but that it is an important factor for the economy of the United States itself. For liberty and peace to reign forever in these lands of the Americas, it is necessary that their peoples reach a stage of economic development which will assure them of abundance, for only

/thus will

thus will they acquire the intimate and indestructible conviction that social justice and the well being of all can be obtained by the straight and peaceful paths marked out by democracy. As His Excellency, the President of the Republic of Chile said: "The economic anxiety of the Latin American countries is a factor which continually menaces social stability and is used as a pretext by those who would destroy the democratic system in which our institutions are found."

President Truman also said that it is a duty of the North American nation to put at the disposal of the peace loving peoples the arsenal of technical know-how possessed by the United States to help them realize their aspirations towards a better life. This kind of help is of the greatest interest and undoubtedly certain Latin American countries can receive by this means a substantial contribution which will facilitate their progress. The Economic and Social Council in the sessions which have just terminated, adopted a resolution on the initiative of the United States, calling for the preparation of a complete program to make technical assistance effective. But in the majority of cases this help by itself will be insufficient. Understanding this, President Truman stated also that in cooperation with other nations the United States must encourage the investment of capital in areas requiring development. The International Bank is one of the instruments for reaching this end; created for this purpose it is already contributing with the Export & Import Bank to the financing of the economic plans of certain Latin American Republics.

/The Economic

The Economic and Social Council, on a proposal by Chile, passed a resolution a short time ago directing the Secretary-General, with the cooperation of the specialized agencies and particularly, of the International Bank to prepare a plan for the financing of economic development.

Gentlemen, on inaugurating the II Session of the Economic Commission for Latin America, I do so with the conviction that from these debates will come forth concrete agreements which will contribute to the solution of some of the economic problems which affect us, that headway will be made in the study of others continuing the search for formulas which will allow us to solve them; that international cooperation so necessary for both objects will show itself effective and that the necessity for a whole-hearted international cooperation will be widely recognized so that peace, abundance and liberty may reign on this continent, the hope of Western civilization and of human destiny.



