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ECONOMIC COMMISSION FOR LATIN AMERICA

SPEECH OF THE REPRESENTATIVE OF BRAZIL

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The Secretariat of the United Nations has submitted proposals for the agenda of the Economic Commission for Latin America, based on studies made by the ad hoc Committee set up by the Economic and Social Council (Document E/630).

In our opinion, the Secretariat was well advised to include among its proposals, as one of the main subjects, the deterioration of machinery and equipment and the great difficulty of obtaining supplies of machinery.

This problem is so urgent that we consider it to be the most important subject this meeting has to deal with.

It should be noted that the deterioration is not due solely to lack of replacements and maintenance during the war. The effects of deterioration have been felt since the beginning of the long period of economic depression. Let us take the case of Brazil as an example. During the years 1930 to 1936, average imports of equipment declined by 50% in comparison with the average for 1926 to 1929. Between 1937 and 1939 there was a slight improvement which was soon nullified by the almost complete cessation of imports of capital equipment due to the war.

IMPORTS OF MACHINERY

(Yearly Average)

| <u>Year</u> | <u>Tons</u> | <u>Index</u> |
|-------------|-------------|--------------|
| 1926-1929 | 435,283 | 100 |
| 1930-1936 | 213,444 | 49 |
| 1937-1939 | 326,499 | 75 |

It can be seen that even before the outbreak of war industrial equipment was manifestly inadequate.

/Nevertheless, after 1939,

* This document is a revised translation of the original which was issued at Santiago, Chile.

** Only Spanish text available.

Nevertheless, after 1939, Brazilian national economy was forced to expand enormously. I need only say that industrial production increased by more than 100%.

INDEX OF INDUSTRIAL PRODUCTION

| <u>Year</u> | <u>Index</u> |
|-------------|--------------|
| 1940 | 139 |
| 1941 | 159 |
| 1942 | 171 |
| 1943 | 207 |
| 1944 | 245 |

These facts give a fair idea of the enormous wear and tear suffered by Brazil's capital equipment. Unfortunately, the case of Brazil is not an isolated one: it is only an example of the malady which afflicts the whole of Latin America and which is emphasized in Document E/630, issued by the ad hoc Committee. That document states: "The Latin American republics, together with all the United Nations, used their capital equipment at an abnormal rate during the war years. Further they were initially ill-equipped and ill-prepared to make these efforts which constituted a proportionally heavier burden on them."

It is obvious therefore that the problem of rehabilitation in Latin America, is acute. In Europe similar rehabilitation is necessary because of the devastation caused by war. Here, in Latin America, it is indispensable because of the excessive wear and tear caused by the depression and the war as a result of the impossibility of obtaining replacements and the over-loading of equipment during the late war.

The Latin American countries hoped that, after the war was over, they could rely on obtaining essential plant replacements. With that end in view they earmarked part of their foreign exchange for re-equipment, using procedures which varied from country to country.

In Brazil, for instance, "equipment certificates" were established and had to be obtained by companies whose profits were in excess of the pre-war level. The purpose of this measure was twofold: to withdraw from circulation purchasing power which could not be economically used during the war and, secondly, to channel excess profits towards postwar rehabilitation. "Equipment certificates" were issued in dollars, pounds sterling, francs, etc., according to the currency of the country where the capital goods were to have been purchased.

/In short, this

In short, this economic policy revealed the lack of balance between the plan for the economic rehabilitation of Latin America and the absence of plans to increase the production of capital goods in the manufacturing countries. With the shortage of production goods thus accentuated, the countries of Latin America were unable to carry out their economic rehabilitation programme. In this situation, in addition to the immediate evil of inadequate imports of such essential goods, the Latin American governments found themselves in a position in which it was impossible to go on demanding the formation of reserve funds for the purchase of production goods.

This lack of co-operation on the part of the countries possessing "production goods" destroyed the main weapon against the inflation which afflicts Latin American countries. They were able neither to reduce prices at home nor to contribute to the reduction of prices in Europe. Our capacity to export to Europe would be much greater were it not for the acute deterioration of transport equipment, the lack of agricultural machinery, and the general shortage of equipment.

I might, at this point, quote the suggestions made by the Food and Agriculture Organization to the Economic Commission for Latin America, in the following terms; (Document 12/11, page 6) "It is suggested, therefore, that the Economic Commission for Latin America might pass a resolution which, while recognizing the responsibilities of individual governments to take action to bring about an increase in food production by the elimination of supply shortages, would recommend that FAO and ECLA co-operate in helping the Latin American governments ascertain their requirements for fertilizers, machinery, means of transportation, and other requisites for production and distribution, and determine what measures can be taken nationally and internationally to meet these urgent needs."

In view of what I have said, it would seem that one of the primary objectives of the Economic Commission for Latin America should be to reach an agreement with the governments of the United States, Canada, Sweden, and even England, Belgium and France designed to ensure Latin America a minimum quota for the supply of production goods. This is one of the urgent measures to the need for which the representative of Peru so rightly drew attention in his speech of 9 June.

The Commission would give instructions to the Secretariat to study the Latin American countries' minimum requirements of transport material, machinery and equipment in general, basing their estimates on import

/statistics for the

statistics for the years 1937 to 1939 and other available information, with the object of enabling the Latin American countries to produce more economically.

Having adopted a policy to ensure the supply of machinery and equipment which will, without a shadow of doubt, provide Latin American countries with greater exchange resources, the Economic Commission for Latin America would recommend the Governments of those countries to re-establish the wartime measures to set aside foreign exchange for the equipment of their industries and transport services. Such a policy would ensure a stable market for the countries manufacturing production goods. In other words, it would guarantee increased production of equipment against any contraction of demand due to lack of foreign exchange.

Another problem pointed out by the ad hoc Committee, which I regard as of great importance, is that of the prices of imported products.

The reference made by the Committee serves to emphasize the well-known disparity between the prices of manufactured products, raw materials and foodstuffs.

It is unnecessary to recall here the disastrous disparity of prices during the decade beginning in 1930, which had such grievous consequences for the economies of various Latin American countries and in particular, for that of the Republic of Chile.

Nor is it necessary to dwell on the efforts made to find ways of protecting products whose prices are particularly vulnerable to fluctuations. The theory of buffer stocks, so brilliantly defended by Lord Keynes, and recommended at Bretton Woods upon the initiative of the Delegation of Brazil, is making slow headway. The recent wheat agreement is an experiment of wide scope.

There is still much to be done to protect countries exporting raw materials against erratic price fluctuation.

We therefore suggest that the Economic Commission for Latin America should try to frame its request for statistical information in such a way as to enable it to carry out a study directed towards the correction of the economic maladjustments originating in such fluctuations. The object of the readjustment we have in mind might perhaps be expressed as follows: an annual increase in the favourable balance of payments of one of two countries would, when it arose from actual differences between increases in the prices of products exported by the creditor country and fluctuations in the prices of products exported by the debtor country, be reduced in proportion to the difference between the two prices.

/Let us suppose,

Let us suppose, for example, that the favourable balance of payments of country A with country B increases during 1948. If the increase is due not to an increase in the volume of A's exports to B, but to a greater increase in the prices of A's products as compared with B's, the increased favourable balance would be adjusted.

Should the Commission consider that this matter is worth studying it should direct the Secretariat to investigate import and export price movements.

It would not be necessary, in my opinion, to include all products. The products most commonly met with which, taken together, represent, let us say, about 80% of the total volume of trade, would be enough.

The Secretariat could obtain the co-operation of the International Monetary Fund in the collection and analysis of such data, in order to investigate the possibilities of this method of adjusting creditor balances. After the possibility of carrying it out has been analyzed, we could study the merits of this proposal, provided of course it is not rejected out of hand.

These suggestions are, in my delegation's opinion, of fundamental importance for the work of this Commission, the establishment of which was so wisely proposed by the delegation of Chile to the Economic and Social Council.



