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ECONOMIC COMMISSION FOR LATIN AMERICA

SPEECH BY THE HEAD OF THE DELEGATION OF ECUADOR

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Minister of Economy

Mr. Chairman:

The Economic Commission for Latin America is a further manifestation of the universal need to bring together and link the economic systems of this vast portion of the continent for the noble purpose of ensuring a humane and prosperous existence to its inhabitants and a smooth and undisturbed progress to each and all of its States. On this historic occasion Latin America stands not only as a closely-woven geographical unit but also and more especially as an economic unit of immense interdependent resources and inestimable potentialities founded on mutual advantages and improved technical co-ordination.

On the initiative of the Government of Chile, welcomed and acted upon by the United Nations Economic and Social Council, we are gathered here in the inspiring shadow of the Aconcagua to consider and scrutinize our material and spiritual elements truly and justly, so that from an historical and universal point of view we may decide upon the clear and unmistakable path, marked by social justice and full use of our economic means, which we must follow to preserve harmony in America and at the same time to strengthen the commercial ties between our countries. It is our duty to suit our actions to our intentions, to encourage national legislation and inter-governmental treaties, to combine our wants and our needs, our affluence and our poverty so as to make use of the natural wealth of this part of the continent and, in short, to stabilize further the economic prosperity of the peoples of Latin America.

The economic consequences of the Second World War, the legal end of which is not yet in sight, have caused each of our countries to adopt partial and fragmentary measures which do not and cannot solve our widespread common and contagious economic disorders. These affect us unequally yet have preyed upon our separate economic systems and we feel their devastating effects very deeply. They are inflation or unemployment, lack of demand

* This document is a revised translation of the original which was issued in Santiago.

on international markets for our exportable products, or merely limitation of our power to purchase what we need and must have.

It is with pleasure and confidence that Ecuador participates in this Commission's discussions which through close and comprehensive study should lead to appropriate measures and the methods necessary to co-ordinate the agricultural development of our countries, and ensure and consolidate the inevitable progress of our industries under a sound priority system. This must be decided upon by each State in accordance with its own characteristics, and determined and demonstrated by the Commission, which must interpret harmoniously the needs of our peoples, who call for sound and balanced economic systems capable of ensuring social well-being and based on sound technical principles. Such measures, combined with those of others, should aim at the greatest and completest possible progress on the continent and throughout the world.

OUR GEOGRAPHICAL BACKGROUND

Divided by two chains of the Andes, Ecuador's structure consists of three related geographical and economic regions. The coastal area, wonderfully fertile, produces those tropical foods which are most in demand, such as bananas, cocoa, coffee, and cane sugar, and at the same time offers favourable conditions for large-scale fishing, especially in the Galapagos Islands, the mining and oil industries, and operations in heavy and light lumber. The inter-Andean region, where the climate is temperate and spring is eternal, is highly suitable for industrial concentration. Crops, textile industries and cattle raising are developed there; and lastly there is the Eastern region extending to the Hylean Amazon with its inestimable treasures in oil, gold and agricultural products.

THE ECONOMIC SITUATION

Like the other Latin-American countries, Ecuador derives most of her income from exports; but at the same time, through technical aid and improved training of her inhabitants, she desires and is striving to assimilate completely her indigenous elements. Increased domestic consumption of national products and development of our own industries based on the produce of our soil form the principal foundation of our government projects. Encouraging statements have been made here by, among others the delegate of Mexico, maintaining the view that Latin America should lay the foundation and promote the development of an independent industrial economy, which is urgently necessary to its own future. We likewise listened with pleasure to the inspiring views of the delegates of the United States of America, France and Great Britain, on the advantages of greater industrialization in Latin America.

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Ecuador's economic system is a modest one. Although we could review at length our natural wealth in agriculture and mining, the truth is that we have not been able to develop more than four and three-quarters per cent of our arable land and an insignificant portion of our mineral resources. The technical and mechanical means at our disposal are limited and we lack operating capital, although Ecuador offers security to the investor, a high yield, low taxation and the guarantee that dividends may be sent out of the country. We have complete faith in the ability of the specialized agencies of the United Nations to advise us in the training of our own experts; and when the time comes we shall encourage capitalists, by honourable legislative measures, to show increasing confidence and to make more extensive use of the resources of foreign capital.

Our metal reserve represents over fifty per cent of the fiduciary circulation, but we know that it is insufficient to cover immediately the large-scale projects of agricultural and industrial development which we must undertake.

Ecuador suffers from inflation, like any other country on the continent. From 1939 to 1947 currency in circulation increased by as much as 500 per cent, and the general price level followed suit, reflecting the shortage of consumer goods at the disposal of the people. The disparity between world prices and those of our basic products, on the other hand, was and remains enormous; we might say that the purchasing power of our currency was cut to less than half.

THE PRICE WAR

When, in due course, our country's sources of supply were restored, thus increasing the demand for foreign exchange, the disparity between prices and the purchasing power of the currency became more apparent. In this phase of our inflationary process we have striven to maintain free exchange and, at the same time, to limit the money in the hands of importers. On technical recommendations made by the International Monetary Fund, in June 1947 we introduced a system of monetary settlement which made it possible for us to stabilize our payments abroad by means of selective rates of exchange and resultant exchange premiums, which allowed us to control the flow of imports and exports without destroying our principles of free exchange and free importation. We agree, of course, that the application of this method is a difficult attempt to maintain our balance of payments while protecting our monetary reserve; and we are not deceiving ourselves in the belief that without effective aid, guaranteed by our resources, we could cope indefinitely with those urgent needs in development and promotion which compel us to use at least some of the reserves we have built up by heavy and repeated sacrifices.

MEASURES AGAINST INFLATION

The rigid application of these anti-inflationary measures has, of course, resulted in an additional burden upon domestic consumption. In fact, we have raised the cost of living for our people and justified ourselves by the need to maintain the stability of our currency. In the meantime we have decided upon economic measures leading to social peace through productive work and the vital fulfilment of our projects for the promotion and development of industrial and agricultural production. We maintain that no monetary reform or plan can of itself be a permanent substitute for active production. It is, of course, possible for a while to defer action in satisfying human needs; to alleviate them, however, would require the exploitation of the economic potential and an actual increase in sources of wealth through the support and strengthening by work and sacrifice of the resources, available and potential, of the human mind.

To stimulate production we have two plans which would bring about such an increase: one for immediate needs and the other, clearer in wording and broader in structure, for longer-term requirements. To carry them out we have channelled the flow of our resources towards the sources of wealth, diverting them as far as possible from the temptation to import luxury goods. As these plans reached substantial proportions, we requested the co-operation of the Bank for Reconstruction and Development in supplying machinery for the mechanization of our agriculture; and we are preparing the ground for an increase in our industries and greater development of our agricultural capacity. We trust that a plan meant to reduce costs and to increase foodstuffs, which are in great demand and highly priced, will win the support and assistance of this banking agency, both in financial requirements and in the supply of mechanical equipment.

INDUSTRIAL AND AGRICULTURAL DEVELOPMENT OF LATIN AMERICA

I do not wish to continue without referring to the words of the delegate of the United Kingdom, who, in line with the universal tradition of the great people he represents, advised the Latin-American countries to solve those problems concerning "agricultural and industrial production including questions of types of crops, of machinery and questions of equipment, and of fertilizers". Actually, the solution of the problem of under-consumption lies in the exploitation of the huge reserves accumulated in the lands of America; these are available for a co-ordinated and long-term economic policy. In this magnificent hall it has been stated and reiterated that the world is indivisible in its needs and resources, that prosperity and poverty are a matter of concern to all peoples, facing as we are the essential need to abolish social disorders and to render human brotherhood more lively and fruitful. The interdependence of nations requires

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international justice and social well-being, material and spiritual food and health for all peoples, and equal technical training for all men of good will.

In passing judgment on Ecuador's economy in recent times and in analyzing the causes of her present imbalance, it should be noted that Ecuador unhesitatingly offered her unstinting co-operation in the defence of democracy during the last war. The nation's economy was directed on a large scale to the preparation and collection of those agricultural products classed as strategic which are grown in our land. Our contribution in balsa, rubber, Peruvian bark, rice, etc. proved a valuable help to those countries which were actively engaged in defending the principles of order and freedom. This twofold task took up a good part of our industrial and agricultural equipment which we have not as yet been in a position to replace and modernize. We transferred our manpower and mechanical equipment to the heart of the tropical forest, deflecting them from permanent work projects and exposing them to exceptionally adverse physical conditions. This effort met its inevitable consequence when fighting ended and the demand for these strategic products abruptly ceased, affecting our economy and resulting immediately in the social and economic problems with which we are now faced and the effects of which have already become apparent.

The last war considerably aggravated the characteristic situation of our widely-scattered economies, with the exception, perhaps, hitherto of some more fortunate economic systems. In general the disparity has increased between our needs and the immediate resources at our disposal; between prevailing prices for the primary products we sell and for the manufactured goods we buy; between the salaries, standards of living, and social benefits which exist in predominantly agricultural countries and in industrial countries. While in the agricultural States salaries are barely sufficient for a meagre diet and poor sanitary conditions, in industrial countries consideration is given to the need for just remuneration for a man's work. Off hand and without an exhaustive analysis of the problem, one gains the impression that time lags when appraising our raw materials but runs ahead when setting a price for manufactured goods, resulting in distressing economic dislocations and far-reaching social repercussions. This contradiction in economic facts demonstrates the need for immediate analysis and suitable suggestions. This would be in accordance with resolution 56 of the Chapultepec Agreement, the corresponding statement made in Havana, and Article 3 of the Economic Agreement of Bogota, which declares that "as a general policy, there should be taken into account the need to compensate the disparity that is

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frequently noted between the prices of raw materials and the prices of manufactured products, by establishing the necessary balance between them."

RAW MATERIALS AND MANUFACTURED GOODS

The delegation of Ecuador is firmly convinced of the need to analyze fundamentally the problem of disparity between the prices of raw materials and manufactured goods. Should the delegates of the other countries represented in this Commission not have more appropriate suggestions, we consider that the Secretariat should be instructed to submit to the next meeting a detailed, analytical and complete report on this distressing problem, and at the same time to suggest means leading to its successful solution in the spirit of international fellowship and fair distribution which should prevail between the peoples. Among such measures, the delegation of Ecuador feels that we should be informed about the establishment of a technical body, in which all the countries represented in this Commission may participate, to discuss the stability of prices, co-ordination of purchasing, and outlets for the sale of Latin-American products, seeking guidance whenever necessary from the model directives of the International Emergency Food Council.

MORE FLEXIBLE TRADING

The geographical and overall study of currency in trade relations between modern countries has lately offered a wide field of instruction and experience. For instance, the tyranny of the gold standard has been replaced by the tyranny of the hard currency. Even where genuine economic exchange might operate in the form of free barter between production and consumption, the phenomena of the war has caused the separation of these two interrelated functions, placing production as against currency on one side, and currency as against consumption on the other. Currency, thus considered, is no longer an intermediary means of promoting production and consumption and of contributing to improved and speedier distribution, but becomes the dividing wall between these two economic functions. In these circumstances, as the delegate of Peru suggested, one might do well to consider measures and safeguards which would enable the use of a system of scrip or substantial current accounts between States, taking as a basis the economic and commercial unification of the Latin-American markets.

EUROPEAN RECONSTRUCTION AND THE ECONOMIC DEVELOPMENT OF AMERICA

In the important second Annual Report of the International Bank for Reconstruction and Development for 1947, we find valuable ideas which we could apply immediately. The urgent need to succeed in the reconstruction of Europe, which all of us sincerely desire, neither interferes with nor contradicts the inherent advantages to be derived from meeting the need for

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increased production in Latin America. Nevertheless, some people think in terms of biased preferential treatment, even though the success of measures towards this end indicates the advantage of joining forces in a creative project which would embrace world production and consumption together and strengthen basic economic exchange. In the extensive and complicated process of restoring and expanding world economy through fluidity and freedom in negotiation, the immense resources of Latin America provide an opportunity not only to meet immediate requirements but, more particularly, for permanent economic projects, a home for technicians and wide spheres of work for those who wish to participate in and derive benefit from our earnest desire for improvement and progress. The European countries have the manpower and mechanical equipment which would prove an effective contribution to the industrial and agricultural development which we are eager to bring about. In these circumstances, and approving in full the statements made by the delegates of the European countries, we consider that a special committee should be formed as soon as possible of representatives of European and Latin-American countries, to draft a survey on the possibility of combining the problems of European reconstruction and the industrial and agricultural development of Latin America. At the conclusion of this address I shall, on behalf of the delegation of Ecuador, submit a plan to this effect for the consideration of the delegates.

IMMIGRATION POLICY

Ecuador has given careful consideration to the problem of immigration; our laws authorize the free entry of immigrants qualified for work in agriculture or essential industries. The Government of Ecuador is especially concerned to extend to immigrants advantages and facilities which will enable them to adapt themselves profitably to the activities of the nation and thus to develop sources of wealth and increase the purchasing power of our products.

THE FUTURE OF CUSTOMS UNIONS

Ecuador is very much interested in co-operating with the other Latin-American States to facilitate and promote the highest level of trade and of agricultural and industrial development, through bilateral or regional agreements. These should contribute as far as possible to the lowering of customs barriers and the broadening, for the commonweal, of the domestic markets in each Latin-American State. A meeting was held in Quito this month of the Preparatory Commission for the Grand Colombia Economic Conference, which is to meet in Quito on 24 July. The Preparatory Commission has prepared the agenda, which provides for the examination
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of systems likely to foster trade and cement the ties of economic union and co-operation between adjacent States linked by identical historical and political traditions. The creation of a customs union by the Grand Colombia States has been suggested; and, when it becomes a reality, this should prove a profitable experiment of which the advantages might extend gradually in due time to those Latin-American countries which deemed it feasible and suitable to their national interests. The Grand Colombia customs union finds its roots in numerous American conferences, and recently the Havana Charter authorized nations to form customs unions. This was provided for even more specifically in the Economic Agreement of Bogota, which authorized preferential treatment for adjacent American States or those which form part of the same economic area, with the ultimate purpose of stimulating general development.

We do not forget that the progressive growth of the system of customs unions will compel us to revise and co-ordinate our industrial policies, uniting areas of production and consumption so as to avoid causing hindrance and to prevent the duplication of efforts which would produce the effects of a futile rivalry in the form of harmful competition. It is our sincere wish that, as these periodic meetings allow us to become better acquainted with one another and as we realize that we must face our problems with courage and sincerity, we may be able better to combine our efforts, thus making it possible for every country to carry through with greater wisdom its plans for industrial and agricultural development.

AN EQUITABLE AGREEMENT ON TRANSPORTATION

The Grand Colombia countries have combined their efforts to operate and maintain a joint merchant marine, and the advantageous results of this action have already become apparent. We desire and advocate the formation of a Latin-American merchant marine and, if possible, a central body to control general transportation in Latin America. It would certainly prove highly profitable to apply to ourselves some of the best principles which govern trade between States of the North American Union, including the principle which fixes the scale of freight rates on the basis of types of products rather than the distance between the markets of production and consumption. The democratic principle of economic equality in competition between consumption and production markets is surely closing one of the most important gaps in trade relations between the Latin-American countries. Those countries which are geographically more remote would thus enjoy the same opportunities and benefits as those which are nearer. We think that this Economic Commission's Secretariat which so alertly investigates and analyzes the problems confronting us, might, if the other delegates consider it necessary, undertake to give us a clearer view of interrelated
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problems such as the fair and democratic unification of freight rates. We should thus be placed in a position to consider the desirability of common solutions which would further strengthen the impulse towards commercial unity among the Latin-American countries.

OUR CONCLUSIONS

The Ecuador delegation maintains that as we are on the road towards the effective and sincere unification of our economic systems through the adoption of measures leading to the perfection and unification of our basic economic exchanges, it is our duty to submit, without scruples or euphemisms, the facts about and the full picture of our present needs, from production to consumption. We must accept thorough analytical guidance and co-ordination of our efforts and seek inspiration in the clear advantages to be derived from unity of Latin-American thought and action. This may seem a purely romantic ideal, but as the analysis of our economic problems and the search for their solutions clarify our mutual interests, we shall find ourselves in the presence of a promising reality which will give our people stable foundations for social prosperity and the good of all.

In conclusion I should like, Mr. Chairman, to sum up the suggestions of the Ecuador delegation as follows:

1. That the Secretariat of the Economic Commission be instructed to submit to the next meeting a detailed report on the possibilities of unifying prices of raw materials and manufactured goods, and freight rates applicable to goods shipped to and from Latin America.
2. That the Secretariat of the Economic Commission be instructed to consider the fundamental requirements of a Latin-American customs union.
3. That a special committee be formed of representatives of European countries and of four American countries members of the Economic Commission for Latin America, to consider during the present session what instructions should be given to the Secretariat of the Commission, so that before the next meeting of the Commission it may study economic effects and suggest the best means of promoting the industry and agriculture of Latin America in relation to the task of European economic reconstruction.
4. That the Secretariat of the Commission be instructed to examine, in co-operation with the technical personnel of the Food and Agriculture Organization, the agricultural problems of Latin America, bearing in mind that the solutions which may present themselves, apart from bringing about the co-operation needed to alleviate the world food crisis, should provide the Latin-American economies with a stable, solid and scientific basis for their future development.

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On behalf of the Ecuador delegation I should like to repeat our thanks to the Government of Chile for its generous hospitality to this Economic Commission, whose meetings hail the start of a new era marked by the birth of Latin-American economic unity in the examination and solution of mutual problems, and by a new and promising trend in the ties which bind Europe and America in these distressing hours for mankind.