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by Airmail Pouch  
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Address by the President of the Third  
Session, Doctor Nilo Berchesi

At the inaugural meeting of the Economic Commission for Latin America, the Chilean Minister of Economy and Commerce, Don Alberto Baltra Cortés, very aptly declared that the initial phase of the Commission's work was being watched with expectancy and hopefulness by the peoples of this continent.

Their expectancy was justified for the beginning of the Commission's work coincided precisely with the deterioration of the changed conditions brought about in every aspect of Latin American economy during the two years after the end of the War.

It was the third trial to which the governments had been submitted since the end of the First World War, including the 1930 World Economic Crisis.

Opinion was unanimous in upholding that only through the coordinated action of all Latin America could an analysis of the situation as a whole be undertaken which would enable efficient measures to be subsequently adopted.

The Economic and Social Council of United Nations recommended that the Economic Commission for Latin America should assume the initiative and share in the adoption of measures to facilitate concerted action aimed at raising the standard of economic

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activity in the Americas, to maintain and strengthen economic relations between the Latin American countries themselves and between these and the rest of the world; to undertake or assist study and research dealing with the economic problems and conditions prevailing in Latin America and recommend the necessary measures of technical assistance.

The work assigned to this regional commission for Latin America is directed to the common objective of achieving the satisfactory restoration and the stability of world economy.

In accordance with these aims, the work of the Commission would necessarily lead to the obtaining of one of the essential goals of the Charter of the United Nations, namely: to promote higher standards of living, full employment and economic and social progress and development.

During its first Session, the Commission adopted several outstandingly important resolutions of which I wish to cite two.

The first of these entrusts the Executive Secretary with the task of undertaking the economic analysis of Latin America, with a view to supplying its needs, promoting its better development and coordinating it with that of other countries, following, in so far as is possible, the methods and systems employed by the regional Economic Commissions for Europe and Asia.

For this purpose, the Executive Secretary should:

- a) complete an analysis of the present economic position of Latin America with special emphasis on problems of crop production, cattle breeding, fishing, forestry, industry,

/mining,

- mining, sources of energy, mechanical equipment, distribution and transport systems, and the factors controlling the commercial and financial activities of each country;
- b) analyse the international trade of Latin America and its connections with other countries in the world;
  - c) study the economic structure of the Latin American countries, with special stress on its characteristics, forms and problems.

The second resolution of undoubted importance is that referring to the coordination of technical assistance to the Latin American countries.

The reports prepared by the Secretariat and the Research Centre during their first year of work, both of which were submitted to the consideration of the Commission at the Havana session in June of 1949, fully justified the initiative taken by Mr. Hernan Santa Cruz and approved by the Economic and Social Council.

The "Economic Report on South America" undoubtedly contains the most valuable information available on the subject.

The first part of this report refers to the trends of production and makes a detailed examination of manufacturing industries, building, mining and agriculture. In the second section, special notice should be taken of the chapters dealing with foreign trade, the balance of payments and the development of inflation in Latin America.

/Further to this

Further to this analytical study, there is a report on "The Economic Development of Latin America and its Principal Problems", which is the work of the Director of the Research Centre, Dr. Raul Prebisch. In this he touches rapidly but admirably on the following essential problems of economic development:-

- a) Industrialization, in relation to the scheme of the international division of labour, considered not as an aim but as a means whereby the new countries may make use of the benefits of technical progress in order to raise the standard of living of their population progressively, without ignoring the efficient development of primary production;
- b) The relationship between economic development and trade;
- c) The advantages of technical progress;
- d) The increase in the productivity of labour and its relationship with the rate of savings and the accumulation of capital for investment;
- e) The accumulation of capital in Latin America and the inflationary process.

These documents together constitute an indispensable element for the study of Latin America's economic problems.

At the Second Session, held at Havana in June of 1949, the Commission entrusted the Secretariat with the annual preparation of basic reports on the economic position of Latin America.

/complying with

Complying with this request, the Secretariat has presented to this III Session the Results of one more year of work which fully testifies to the excellent judgment shown when the work was undertaken.

The Economic Report for Latin America, for the year 1949 includes an analysis of the general problems presented by economic development, stressing the tendencies of the balances of payments, the repercussions of recent price trends and the problems of spreading technical progress.

This report also contains an analysis of the economic development of Argentina, Chile, Brazil, Cuba, Mexico and Uruguay, as a beginning to the detailed study of all the Latin American countries.

The report on the "Tendencies of World Trade and Commercial Policy" indicates the geographic distribution of the world's trade, regional trade and the possibilities of multilateral trade, together with notes on commercial policy and quantitative trade controls.

/In the report

In the report on Public Finance, special attention is drawn to the relations between financial policies, National Income and exports.

The report on the conditions determining foreign investments in Latin America is also noteworthy, as are those on the Juridical position of these foreign investments and the report on agricultural credits in Central America, carried out in collaboration with FAO.

As was so aptly said at the inaugural session held yesterday, it can be seen from the work published by the Commission that many Latin American countries are confronted by serious problems arising from both domestic disequilibrium and that provoked by external causes, likely to retard their economic development, or even bring it to a standstill.

The work so far carried out by the Commission constitutes a vital element for the study and solution of the economic problems affecting Latin America, not only from the domestic and regional standpoint, but also in their relations with other continents.

Having successfully completed this first phase, and without affecting the new investigations to be carried out according to the plans laid down previously and those to be approved by the Commission, it is necessary to consider the terms for the solution of some of the economic problems of Latin America.

May I, very briefly, mention the possible solutions to be considered at once in connection with three aspects which, in my opinion, are fundamental:

/ a - The expansion

- a) - the expansion of production, with reference to undeveloped or insufficiently developed areas and resources;
- b) - the financing of the necessary investments for the expansion of production; and
- c) - the process of inflation.

The cooperation of the Commission in the execution of programmes of technical assistance will enable the utilization of national savings and foreign investments in developing regions and natural resources which, after careful and reasoned choice, will ensure the maximum productivity.

In the first report on economic development presented by the Secretariate for the consideration of the Commission, it was stated that there was a shortage of capital and that as the need thereof was great, its investment must follow a very strict criterion of maximum efficiency.

It seems unnecessary to emphasize the close association between the financing of economic development, the insufficiency of savings in the Latin American countries and inflationary tactics

It is interesting to note that the Economic Agreement signed at Bogotá refers expressly to this important aspect of the problem in article 21, which reads: "The Latin American States are fully aware that the insufficiency of national savings or the inefficient use thereof, has led to the adoption of inflationary methods among many of their number, which fact may ultimately contribute to endangering the stability of their rates of exchange and the orderly development of their economies."

"Therefore the Member States agree to stimulate the development of domestic capital in order to provide, from non-inflationary sources, the means of covering investment  
/requirements

requirements in national currency."

Where domestic financial resources prove insufficient, the gap must be covered by either public or private foreign loans.

Article 12 of the Havana Charter declares that the international flow of capital shall be encouraged in a measure with the openings for investment and the present and future conditions of security for such investment offered by the different countries.

One further factor should be added to these, and it is one which we deem essential, namely, that economic stability and an efficient anti-inflationary policy should prevail.

Inflation is the predominant characteristic and fundamental problem which arises from an analysis of the economic condition of Latin America,

Among the principal causes for inflation we may cite the surplus of the balance of payments, investments, the absence of savings, budgetary deficits and every sort of government measure that gives rise to an increase of monetary income in the sector of remuneration for labour or services, when such an increase is not associated with a corresponding increase in unitary productivity and an expansion of production which would increase the supply of goods.

The mere mention of the inflationary forces which have led to the present condition of Latin American Economy are sufficient to suggest the necessary attentuating measures which the Governments must employ to combat inflation.

This becomes clearer if we refer back to the period 1944/49 when inflation was principally caused by domestic factors.

/During the

During the period 1938-44, foreign factors were principally responsible in determining the increase in the means of payment. The increase of the gold reserves and of foreign exchange availabilities accruing from surpluses in the balance of payments brought about the growth of the means of payment, made possible by the banking system.

Where necessary, the Latin American countries attempted with greater or lesser degrees of success to apply the various methods intended to control the expansion of inflation caused by foreign stimuli. Much valuable experience was gained from these attempts.

Now the Latin American countries must seek to apply firm measures to restrict the spread of inflation resulting from domestic conditions.

The Economic Commission for Latin America has a further opportunity to offer its very efficient cooperation, having successfully completed the first phase of its labours.

The experience gained shows that we must have faith in the task that lies before us, not only as regards the programme of work already undertaken but also in the plan of cooperation with the various Governments for the purpose of adopting the solutions which are deemed advisable in view of the results of the analyses made.

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May I be permitted to express my most sincere wish that the session beginning with this first plenary meeting may constitute still another proof of the efficiency of the Economic Commission for Latin America and the wisdom shown by those who envisaged its establishment.

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