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ECONOMIC COMMISSION FOR LATIN AMERICA
Third Session
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ADDRESS BY THE REPRESENTATIVE OF CUBA,
RUFO LOPEZ FRESQUET, IN COMMITTEE No. 1

The Economic Commission for Latin America has offered the assembly an adequate opportunity to analyze the economic problems of our countries. The comments made by each of the delegates of the Latin American countries seem a constant echo of our own thoughts, so identical are their purpose and their problems. The presence of the United States and three great European powers with which we are linked by our trade relations and which retain territories in this continent, and above all, the dependence of this Commission on the Economic and Social Council and hence on the United Nations, gives us a sense of universality which is indispensable in considering the economic problems of Latin America. It is also essential if we are not to limit the solution of our problems to the continental level; despite real or potential dimensions of the continent, it is in reality no more than a component of the world in which we must integrate ourselves, coordinating our interests with those of other nations which share our basic political, social and economic principles.

ECLA is maturing at a much faster rate than could ever have

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been conceived by those of us who dreamed that in a short time we might possess an adequate instrument with which to put forward our demands in this dramatic phase of revision through which the world is now passing. In a little less than three years we have been able to integrate a Commission which for the first time has placed in our hands an articulate and reasoned document which serves as a responsible basis for our aspiration regarding a more equitable distribution of the benefits of modern Culture and Production. Surmounting our lack of experience of international bargaining, and our dearth of philosophical thought and the instruments with which to undertake economic analysis, the inaccuracy and lack of statistics, ECLA has established an order and method of work which at every session is giving proof of increasingly profitable results. Our delegations are increasingly able to act in accordance with strictly technical matters, avoiding the theoretical and the political in their discussions, and thus abiding by the objectives of this Commission. The Secretariat is an efficient mechanism and its Research Centre has achieved an integrated system of economic research and analysis of a high standard.

This just tribute to the success attained by the Economic Commission for Latin America and its ensemble of delegates, secretariat and technical experts, does not exclude critical comments directed to improving on present achievements. On the contrary, our satisfaction with what has been done, and our faith in ECLA demand that we make suggestions which are sincerely intended to improve its methods of work and the quality and amount of the results.

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It is indispensable to modify in the terms of reference the article whereby the Secretariat must remit documents to the Member States of the Economic Commission for Latin America thirty days before the opening of the Session. This period is too short, even when it is observed, and should be extended to sixty days. The majority of the documents which are being used as the basis for our deliberations, especially those drawn up by the Economic Research Centre demand, before they can be discussed, to be checked as regards statistics, data and context, which signifies work for different governmental departments. By reason of their content, these documents contain implications and extensions which make necessary their previous discussion by those responsible in each Government, in order that the opinions later voiced by the delegations at the ECLA sessions may be a true expression of national policy. The Latin American countries should propose to use this Commission as their best international means of expressing their economic goals and objectives.

The Economic Research Centre has been able to collect data in our countries which cannot be obtained from any other source, either domestic or international. Such information at times constituted the basis for conclusions contained in its analysis of our economies. Governments cannot judge the soundness of conclusions based on data that is unavailable. Hence it is suggested that when the Secretariat remits these documents they be accompanied by the data collected directly in the country in question.

In view of the short time available for checking and examination, Cuba cannot assume responsibility for the specific reports on our country contained in Chapter X and in annexes D and J of document E/CN.12/164 entitled "Economic Survey of Latin America,

1949."

This reservation, the only reason for which is the aforementioned lack of time, is extended to everything pertaining to Cuba in the document submitted for our special attention. However, our delegation does not wish to deny our modest contributions to the deliberations of this Session on the "Economic Survey of Latin America, 1949" and we therefore intend to offer our general impressions gathered during our rapid perusal of this fundamental and substantial work.

I believe that we are right in saying that during this discussion of the Secretariat's Document, we are analysing the philosophy of one of Latin America's greatest economists, who remain unsurpassed as a creative thinker. To emphasize the profound influence of Professor Raul Prebisch and his outstanding contribution to the documents before us by no means implies that we forget the technical staff of the Economic Research Centre, nor the Secretariat as a whole. For our part, and as representatives of Cuba, we consider it fitting to pay this tribute of admiration and respect to Dr. Prebisch for his contribution to the prestige and success of ECLA.

From the Economic Survey prepared last year for the Session at Havana and that we have before us at this Committee, one can perceive the formation of a system of economic interpretation of Latin American events. One can see how he has gone about the analysis of our problems, creating his own instruments of research, drawing them from axiomatic principles deriving from each different situation, establishing aims and objectives which seek as a primary target the welfare of Latin America without disregarding the world

as a whole.

It becomes clear that the high rate of development of certain countries in the first stages of their industrial revolution has created an economic organization of which the centre is constituted by those countries which are highly developed from an economic standpoint whereas, in their periphery and in a somewhat disorderly manner we find those countries whose economic development is elementary and merely in its beginnings. We are able to see first, how possession of modern methods of productive technique has given the countries of the centre the advantages of a protected market of manufacturing products. As a consequence of these monopolistic conditions, all the advantages of technical progress and modern culture have not reached in due time peripheral countries. These latter have had to pay increasingly high prices in labour and utilization of their natural resources for the monopolistic profits of the countries whose advanced manufacturing methods have already been established.

This situation created by the economic system of the XIXth century became difficult after the First World War in view of the pressure of economic, social and political factors. Latin American exports became increasingly insufficient to serve as a means of obtaining the goods required by their growing population, not only because the terms of trade deteriorated to their disadvantage but also because the per capita quantum of exports decreased with the increase of population or because their real volume was decreased either as a result of competition from new producing zones in the periphery or because the countries of the centre have been able to

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introduce technical progress into their agriculture thus becoming practically self sufficient economies, producing domestically the primary goods which were formerly imported.

Furthermore, the displaced economic factors and natural increments, especially of gainfully employed population, increasingly demand, supported by greater political strength, the solution of consumer problems, and that of the standard of living in general, which have been brought forward by the existence of uncultivated land, idle capital and unemployed workers. The economic factors must be used productively and it is essential that all who require it should find gainful employment. Modern news service such as the Press, Radio and Cinema show our population the pattern of our higher standard of living, causing it to bring political pressure to bear in order to obtain solutions which will raise our economy to the levels obtaining in the centre.

Our exports, stationary, or insufficient, are inadequate to solve alone the problems presented by unproductive economic factors and a low standard of living, thus making it possible for our political economy to be directed to the diversification and increase of industry. In the early twenties Cuban exports were almost as great as during the past few years but between these two periods our population had almost doubled. This fact, which is common throughout Latin America, constitutes a powerful factor, though not the only one impelling us to seek a solution in domestic manufacture. The deterioration in the terms of trade has made us lose all confidence in the application of the principle of the international division of labour and industrial employment of our productive elements has been

used as an efficient means of increasing productivity, allowing us, thus, to obtain an increase in the national income.

The displacements caused by an economic change over such as that of Latin America, brought about certain problems concerning the factors of production, the trend of international trade, and the composition of the population. We have found a means of overcoming present evils but the way is not easy. One of the difficulties arises from the very nature of these evils, namely, our exports are also inadequate as a means of covering imports of capital goods, fuel and raw materials required in the process of industrialization. Consequently, in order to overcome our poverty, we have been compelled to increase our poverty, we have been obliged to restrict even further the demand for consumer goods which are met by imports. Maintaining the same levels of consumption, preserving the same coefficients of imports and the same capacity to import, all other things remaining equal, the process of economic development leads to disequilibrium on the balance of payments.

This fact has occurred in the majority of the Latin American countries. However, this is not the case at the moment in Cuba. We must confess that it has only been possible to make an adequate analysis of our country for the past few years, since accurate data are not available for the years preceding 1947 which would enable us to draw up a balance of payments. In my own personal opinion the available data cannot lead us to suppose that this same phenomenon of disequilibrium will not occur in Cuba and we can find possible explanation for the exception that our case constitutes as regards

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the general tendency. In the first place it is evident that our economic development, with the exception of sugar production, is in its beginnings, not having reached the level obtaining in other Latin American countries. Furthermore, it is possible that a deficient distribution of the national income has permitted the accumulation of savings which have been so far used in developing our industrialization. However, it would seem that above all we are passing through a stage in which antagonistic forces have checked the tendency to disequilibrium in the balance of payments. Of these forces the most powerful is the compulsion to save, created by deferred demand which could not be met during the war and the post-war years. According to the latest information at my disposal, though not yet seriously affected, our foreign exchange position is not quite so satisfactory.

In order to solve this crisis and to limit imports of primary consumer goods to their bare minimum every known means has been employed to vary the composition of imports and to establish discriminations in their structure. Time is short in which to analyse the economic effects, from a domestic and international standpoint of foreign exchange controls, differential rates of exchange, import licences, quotas and high tariff barriers. But I do wish to take this opportunity to stress the fact that Cuba has not yet made use of restrictive measures on foreign trade. My country has maintained the freedom to import foreign goods, on which lower tariffs are levied than on those obtaining for similar goods in their country of origin. We are fully aware we shall not

/be able to

be able to maintain this system of free trade in a world bound by trade restrictions in which the need for protections exists. There are certain basic productions in any economy which exist because they meet the primary demands of civilized Man. Each country should contain within its territory the manufacture of foodstuff, textiles and medicinal products, in order to ensure that its inhabitants shall be nourished, clothed and medicated, whatever the exchange position, or the rate of production and distribution of imports caused by wars or other factors. These fundamental means constitute a solid basis for the draft resolution presented by the Cuban Delegation to this Committee which it is hoped will be accepted because of its merits.

While the Latin American economies defend their Customs frontiers against competition from goods manufactured in countries which, for historical reasons, hold a privileged position on the market, it is necessary that the terms of trade of Latin American exports on the international market be improved in order that our populations should suffer less during the primary stages of their industrialization. Instead of only ensuring supplies whilst disregarding prices, the principal consumers of our basic products must consider the problems caused by the interdependence of our capacity to import and the value of our exports. There is a traditional pattern of exports in Latin America which is basic in each of these countries, causing a disequilibrium of value and of volume, which constitutes fundamental alterations in their stability, not only from the economic but also from the political and social standpoint. As has already been stressed by Ambassador Luis

/Machado, President

Rachado, President of the Cuban Delegation, the primary cause for our political and social instability can be found in the fluctuations of our exports. The countries of the centre must employ their economic factors in non competitive production as long as the Latin American countries cannot free their economies from the influence of the export cycles. Any other policy would imply the introduction of new elements of disequilibrium in the complex trade situation with the peripheral countries. Finally, until full economic development has been reached in the peripheral countries, the volume of exports from the centre will not be affected by its influence except that the composition of such exports will be changed. Latin American countries will be importing raw materials, fuel and machinery instead of foodstuffs, textiles and medicinal products, the manufacture of which they will be undertaking themselves.

This consideration has led the Cuban Delegation to put forward a proposition urging the highly developed countries not to begin domestic production of those goods that constitute the basic exports of the Latin American countries. But this is not our only request. It will be necessary to prevent the disequilibrium which it may be assumed will occur when products from sources which had not previously supplied the consumer market in the centre begin to compete thereon. Such competition brings about disturbances on these markets, involving price reductions which hardly ever affect the consumers directly and are detrimental to the stability of economies which have been traditional exporters of these goods.

/The countries

The countries of the centre can find a market for their excess capital by making investments in Latin America. For our countries these investments would aid in covering the deficits of the balances of payments brought about by imports of capital goods. They could, furthermore, be used efficiently for productive purposes without increasing the burden of services in amortization in the said balance since a certain amount of foreign exchange would be freed by domestic production of goods which were formerly imported. The type of foreign investments which can be of the greatest help to us are, in my opinion, direct investments since they fluctuate proportionately with the cyclical trend of business, and do not compel us to utilize foreign exchange in services and amortization during the cyclical downswing. Furthermore, they offer us the advantage of the technical and administrative methods of foreign enterprise. In our opinion, the report before us has not sufficiently stressed the possibilities of foreign investment as a means of assisting our economic development. This Session at Montevideo will have an opportunity to emphasize this aspect in the deliberations of the Committee which is looking into the matter.

It is our belief that the Latin American countries have the right, together with those of the centre, to attain optimum productivity from their economic factors. Land, labour, technique and capital should be employed in such a manner as to obtain maximum yield and efficiency as a means, first to increase and later to maintain, the standard of living at a level which will permit the introduction of technical progress. We can only be good friends

/and good

and good neighbours when we can live the same kind of life. These objectives are inspired by the most altruistic principles of equity in the distribution of world income; but such aspirations must be recognized by our governments or else the latter cannot maintain an orderly, happy and peaceful population. Hence the Cuban Delegation has put forward a proposition establishing the maximum limits for the objectives of our economic development.

The Cuban proposition establishes a general goal, common to all Latin American populations. By establishing individual aims, we believe that it is also possible to establish a standard applicable to all our economies. One of these is that basic and traditional exports should be developed at an increasing rate corresponding to the increase of the population, so that our per capita capacity to import shall at least not be reduced. In the case of Cuban sugar, for instance, it is our aim to export one ton per inhabitant. If competitive production in the countries of the centre is not undertaken or increased, the expansion of our exports in a measure corresponding with the increase of the population, can be absorbed by any such increase in centres where our products are consumed.

Another specific aim common to all our countries is domestic production of primary goods which are basic for civilized Man, namely foodstuffs, textiles and medicinal products. Similarly the development of domestic sources of raw materials and fuel required for domestic production, constitutes another common aim for all of Latin America.

Having obtained these fundamental objectives, each country

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in accordance with its levels of production, the stage of economic development which it has reached and the factors of production available to it, will establish the subsequent aims which will enable it to carry out the general aspiration set forth in the Cuban proposition.