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ADDRESS DELIVERED BY MR. JOSE ANTONIO MAYOBRE, EXECUTIVE SECRETARY OF
THE ECONOMIC COMMISSION FOR LATIN AMERICA (ECLA), AT THE FIRST MEETING
OF THE ELEVENTH SESSION OF THE COMMISSION, ON 7 MAY 1965

Fourteen years ago the Economic Commission for Latin America held its fourth session at Mexico City. It was a crucial moment in the existence of the organization. With the expiry of the trial period of three years stipulated by the Economic and Social Council when it established the Commission in 1948, the time had come to decide whether ECLA was to be a permanent institution. Its activities were beginning to show results. In the brief period of its existence, ECLA had already emerged as the embodiment of a responsible and consistent effort to develop a genuinely Latin American line of economic thinking. Critical analysis was beginning to concentrate, with honesty and intellectual courage, on time-honoured formulas that interpreted the situation and problems of our peoples after their own fashion. Sceptics were not wanting; but the decision adopted on that occasion enabled the work to continue. The member countries ensured ECLA's survival and guaranteed its right to freedom of thought and action.

It may safely be said that since then ECLA has lived up to their expectations. With the passing of the years, the Commission's periodic sessions and its many studies have gradually helped to provide a more accurate picture of the true state of affairs in our continent, of the nature of our problems, of the root causes underlying our lagging development. New instruments of action, appropriate to these circumstances, have also been created; and new strength has fired our zeal to examine our difficulties and contemplate our future in the context of the Latin American community, transcending the national differences by which history at one time divided us but which actual

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circumstances and our own awareness of our destiny are compelling us to overcome. For all these reasons, in addressing the Commission for the first time in my capacity as Executive Secretary, I wish to pay a tribute to the representatives of all the countries who have made this undertaking possible through their continuing participation in the Commission's meeting; to the former Executive Secretary whom I have the honour and the responsibility of replacing - Mr. Raúl Prebisch, who has been the inspiration of ECLA's achievement; and to the members of the staff who under his leadership have helped, with modesty but admirable efficiency, to build up the wealth of ideas that today represent the Commission's contribution to Latin America's present and future.

Perhaps it is not pure accident but one of these strokes of luck which often occur in the life of nations that has once again brought us together in Mexico, at a time when major decisions are being arrived at that will determine what our future is to be. This fine city and country stand for something very dear to our peoples of Latin origin. Their indigenous civilization; the epic of the Spanish conquest; the blending of races and cultures in the colonial era that produced the wonders of art at which we marvel today; the bloody and heroic travail of which Mexico was born as an autonomous nation, during its fight for independence and the nineteenth century; the powerful winds of social protest and Latin American nationalism that the Mexican Revolution let loose throughout our lands; the progress being made in building a modern industrial society; all these have given Mexico a special claim to the admiration and affection of its fellows-Latin American countries. That is why it can offer such a meeting as ours the proper setting for stimulating discussion of our burning problems - discussion springing not only from the mind but also from the heart and covering all the questions arising at the present economic juncture, on the integration of Latin America, on industrialization, on social reform, on our relations with the other countries of this hemisphere and with the rest of the world.

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We have clearly reached an economic turning-point at which we must ask ourselves where we stand and where we are going. The brief spell of prosperity and growth that we enjoyed in the post-war years was followed by a long period of difficulties during which our rate of development decreased and our relative position within the world economy deteriorated. From the mid-fifties onwards, we were adversely affected by the fall in world prices for our export lines and the decline in our terms of trade. The pace of production also slowed down owing to the serious impact of external trade on our income, savings and investment. This situation changed for the better in the last two years. World market prices for our primary commodities improved, the real value of exports rose, and in almost all countries investment expanded and income and consumption increased. The conditions in which this process took place in the various countries are analysed in the secretariat documents presented at this session. At the same time, these last few years have witnessed a substantial change in relationships in the hemisphere as regards economic co-operation. In the Alliance for Progress programme President Kennedy embodied the hopes and wishes so often voiced by Latin America and pledged the financial and technical co-operation of the United States in our countries' development efforts. This commitment was formally set forth in the Charter of Punta del Este, and a programme of action, unique in its geographical scope and the range of its aims, was drawn up in order to make economic and social progress a reality in each and all of our countries.

Nearly halfway through the term fixed for the Alliance, and two years after the favourable reversal of our foreign trade trends, the question may fairly be asked: have we now overcome the initial difficulties, and can we look ahead with greater confidence? To put it more exactly, can the relative economic improvement of the past two years be expected to last, or is it merely a temporary phenomenon and are we destined to slip back into the downhill rut of the preceding decade? Have the requisite conditions been established for the process of economic and social modernization to gather the necessary speed?

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As we are all aware, Latin America has begun to put into effect a number of economic policy measures that were urgently needed and which will bear fruit in abundance, provided that this initial effort is kept up. Advances are being made in the use of planning to define appropriate development policy objectives and measures. Rudimentary or imperfect though the planning machinery may be as yet, it is certainly improving all the time, and rationality and consistency are gradually replacing the haphazard and stop-gap action, lacking in cohesion, direction and continuity, that has hitherto, with few exceptions, done duty for economic policy in Latin America. With regard to public investment, visible headway has been made in the establishment of priorities consonant with economic requirements and with the solution of the region's serious social problems, but makeshift or time-serving decisions have not yet been ruled out altogether. In industrial and agricultural development programmes, in land reform, in tax policy, in education, public health and housing, progress is being achieved, although in many sectors or areas its pace is not yet rapid enough to outstrip the enormous speed of population growth. The campaign against inflation, it would seem, is beginning to be waged with the determination and energy required to overcome this corroding evil. As regards the basic policy governing economic relations between the State and the private sector, the treatment of foreign capital and income distribution policy, much still remains to be done, but there are signs of a growing tendency to take these problems seriously and to adopt a common-sense approach, free from superficial and preconceived ideas.

These are all practical steps, but not sufficiently so to ensure continuing development, much less a growth rate that will enable the income and living levels of the bulk of the population to rise within a reasonable space of time. Apart from the need to redouble the efforts already made, the formidable obstacles that lie ahead call for bolder and more vigorous action by our countries, if we are to forestall the stagnation or deterioration of our position in absolute terms and in relation to the world economy.

The first of the stumbling-blocks is still the vagaries of foreign trade. Despite the incentive afforded by the rise in the prices of Latin America's exports during the last two years, these exports have expanded not only more slowly than those of the industrialized countries, but even less than those of the developing countries as a whole. Latin America has continued to lose importance, relatively speaking, as a supplier of the developed regions, and the prevailing trends in international trade policy - in particular, the intensification of protectionism in the industrial countries and the preferential associations between these and specific geographical areas - still represent a serious threat to our economies.

The two years just ended were really favourable for Latin America's foreign trade. Nevertheless, some disquieting symptoms are observable. Quotations for metals and meat are still encouraging, but sugar prices have fallen spectacularly and cocoa beans, cereals and wool have slumped. Coffee, demand for which seems to be slackening, is maintaining its price levels thanks to the measures adopted by the International Coffee Council, which has lowered export quotas. Import restrictions on petroleum in major consumer markets remain a serious matter of concern for the region's leading exporter.

If our foreign trade were to fall off again, we should very shortly witness a further recession in Latin America's development process. Now that we are just beginning to attain relatively satisfactory levels of domestic production and foreign exchange income, a relapse would have very regrettable consequences in all spheres of economic and social life. External financing, which in the past helped to offset the decline in trade, has proved to be an instrument of limited usefulness when there is no expansion in exports. Without such expansion the servicing of foreign loans and investment becomes difficult and the possibilities of continuing to draw to any great extent on external resources are reduced. The troubles currently besetting some of the countries of the region as a result of the amount and terms of their external debts are object-lesson enough.

The United Nations Conference on Trade and Development, in which the Latin American countries took an active part, provided an opportunity for international trade problems to be aired in the light of the needs of the developing regions. The organs established by the Conference are beginning to take steps to ensure implementation of the rules and principles adopted at Geneva. It would be superfluous to emphasize how essential it is for our Governments to continue pressing for the early adoption of practical measures to avert the dangers with which we seem to be threatened once again. Delay or hesitation may entail enormous losses and heap yet more poverty and frustration upon our peoples. Nor is any reminder needed of the importance of perpetuating and strengthening the understanding between Latin America and the other developing regions of which the foundations were laid at the Geneva Conference. So long as special treatments exist in the world, we shall be compelled to maintain the positions we enjoy in relation to given countries, but clearly the safeguarding of world market prices for primary commodities, the conversion of the preferences nowadays granted to specific areas into a world-wide system benefiting all the non-industrialized regions alike, the establishment of facilities for expanding exports of semi-manufactures and manufactures to the major centres, are matters that cannot be finally and satisfactorily settled within the bounds of a single continent, in a hazardous inter-regional contest for privileges, but must be dealt with by means of intelligent and co-ordinated action on the part of all the countries that have interests and aspirations in common.

It was to some extent the weaknesses of our present under-developed structure and the vicissitudes of foreign trade, but partly also deeper motivations extending beyond the realm of economics, that prompted the movement towards the economic integration of Latin America. The need for a major decision on this supremely important matter is becoming increasingly urgent.

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The future of Latin America must of course be visualized in the setting created by the world trends prevalent today. The tremendous strides made by economic development and technology have left behind the small national units that formed the basis of economic and political growth in the early phases of industrial economics. The application of more advanced techniques, the increasingly rational utilization of natural resources and the improvement of levels of living and culture among the broad masses of the population call for an economic organization founded on extensive markets, large-scale production units and substantial investment. In recent times, it has been the countries endowed with vast territories and immense natural wealth, with sizable domestic markets and plenty of financial and technical resources, that have registered the highest economic growth rates, have acquired most political power and have been able to make spectacular progress in science and technology. In these circumstances, the oldest industrial countries of Europe - economic centres and focal points of civilization right up to the early twentieth century - have been forced to sweep aside the traditional differences and conflicts of the past and to seek integration in larger economic units showing a distinct tendency to form into major political groupings.

This change in the world structure places the countries that have not yet attained advanced stages of industrial development in a still more difficult position. The emergence and growing strength of huge power units confront them with the serious prospect of losing their economic and political independence or freedom of action and of becoming satellites whose present situation and future destiny would be in the hands of the major groupings and governed by their reciprocal conflicts or agreements. As a result, in addition to the struggle for economic development, which is the most positive form assumed by contemporary nationalism, there is today a need to bring about this development in such a way that the region will not continue to lag behind the big groupings of advanced countries.

/The campaign

The campaign against under-development is nowadays identical, especially in Latin America, with the campaign for the integration of individual countries in one great unit which will have economic significance and viability in the foreseeable future, and will carry more weight in world politics. Integration is the new phase of Latin American nationalism.

Perhaps it may be worth while to dwell for a few moments on certain economic considerations which show that integration cannot and must not be deferred.

In the last decade or so, particularly under the pressure of the decrease in their external purchasing power, the Latin American countries have been tackling their own industrial development problem on the basis of import substitution. By this means, some countries have made substantial progress and have built up important industrial centres: in a few, the substitution process is at present in full swing, while in others it is only just beginning. But it is a recognized fact that, once this process has attained certain proportions, the possibilities of expansion begin to diminish, and substitution and, consequently, industrial development become more difficult. This applies particularly at the stage where attempts are made to produce capital and intermediate goods involving complex manufacturing processes. Import substitution, which has been and in the less industrialized countries of the region still is a dynamic factor, tends to lose its efficacy at a given moment and ceases to provide sufficient stimulus.

Because it has been based on small consumer markets industrialization in Latin America as a whole has been characterized by the use of outdated techniques and by unduly small scales of production, with resultant high costs. Monopolies have also sprung up, since the size of markets has precluded competition among a number of enterprises. Certain types of production requiring large-scale plant have either simply proved impractical, so

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that substantial quantities of natural resources have been left unused, or have been undertaken in factories of anti-economic size, incapable of producing at satisfactory cost levels. Thus, the industrialization process in Latin America, despite all it has meant as an essential factor in the development of the region during the last few decades, suffers from serious structural defects that are the result of its having had to rely on small national economies for its markets. This means that the population's real income levels are reduced, as it has to carry the burden of high prices; income disparities are aggravated and monopolies emerge; better efficiency and productivity are harder to achieve; and the large-scale diversification of our exports is virtually impossible, since Latin America's high-cost manufactures cannot compete with similar goods from the more advanced countries. Unless the causes that determined this industrialization pattern are modified, our entire future development, besides labouring under handicaps in relation to the rest of the world that would make us, at best, second-class or third-class industrial countries, would find its possibilities of expansion rapidly dwindling, with the result that our countries would be subjected to gravest social and political tensions.

The integration of our economies in a single vast Latin American market thus appears as an absolute necessity if our economic development is to proceed on satisfactory lines. It would place at our disposal a potential market of two hundred and fifty million inhabitants, which would ensure the viability of enterprises of appropriate economic size, with high levels of efficiency and low costs, and in which competition would provide an incentive to the increasing use of up-to-date techniques. It would also make feasible the large-scale exploitation of our mineral and energy resources and their processing within the region; it would facilitate capital, labour and entrepreneurial mobility throughout

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the length and breadth of our continent. It would likewise raise the level of living and enable us to diversify our exports and thus become less vulnerable to the instability besetting the markets primary commodity. Integration is easier to achieve in Latin America than in any other under-developed region of the world. It is facilitated by similarity of language and culture; by a historical tradition which favours the unity of our peoples - a tradition whose upholders have been the greatest men that our region has bred; and by the fact that, in view of our economic development requirements over the next few years, the present output figures will have to increase many times over, which makes it possible to visualize the attainment of an integrated economy with a minimum of distortions, by gradual stages, but with clearly-defined objectives for each.

Even so, no one can be blind to the fact that before economic integration can be achieved formidable obstacles will have to be surmounted. They include the ideological and political parochialism that has kept Latin America behind the other Western nations since the eighteenth century; the geographical isolation resulting from the lack of an intra-regional transport and communications network; the barriers that were set up to protect a nascent industry, but in most cases are now anachronisms, and harmful ones at that; the vested interests that have grown up behind these barriers and will have to adapt themselves to the requirements of the new situation. We shall also have to jettison some of the perfectly creditable ideas that are characteristic of our present ways of life and thinking and are the product of our national political systems as they have developed in a century and a half of autonomy. From every point of view integration ought to be visualized as something to be undertaken by the whole Latin American continent. It would not be the best solution, but it might be inevitable, for given countries, under the pressure of immediate economic needs and faced with the isolationism of some, to tend to form sub-regional groupings. These are conceivable as a part and in terms of a Latin American integration process, but care must be taken to avoid the formation of unrelated sub-regional groupings /which might

which might make regional integration more difficult in the near future, or, what is worse, might perpetuate and intensify dissidence and rivalries that have done our peoples no good in the course of their history.

Again, while integration is a sine qua non of economic, political, social and cultural development, it is not sufficient in itself. It must be accompanied by major structural reforms that will change the outdated patterns of living, of human relationships and of mental outlook that have been predominant in Latin America and are responsible for our relative under-development in many respects. The incorporation of the broad masses of the population into active economic and political life, and their sharing in the wealth produced; the formation of a homogeneous population with a satisfactory level of living and equal access to the benefits of civilization; the creation of a modern and forward-looking self-awareness; all this entails substantial reforms in our land use and tenure systems, in labour relations, in educational systems, in the public administration and in tax systems. We are faced with a situation which calls for a peaceful and profoundly humane revolution, if we do not want the inevitable changes to be brought about under the banner of desperation, bitterness and violence. In these circumstances, the narrow confines of our present national frontiers are yet another obstacle in the way of reform. Meaningful modernization and transformation will be all the easier if carried out in the setting of an integrated Latin America.

Nor must integration be allowed to become a source of differences, isolationism or conflict in our relations with other regions or countries of the world. When Latin American nationalism is referred to nowadays - as the President of Mexico stated yesterday - what is meant is a constructive and humanistic nationalism. Close ties and sometimes very serious disagreements have been features of our relations with other countries of the hemisphere and of Europe. Economic integration can triumph over these indisputable and occasionally painful facts. Our

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progress and expansion will also be beneficial to the other countries too, at the same time as they enable us to bring common interests into accord or settle possible differences in an atmosphere of greater mutual security, confidence and respect. The same applies to the rest of the world, whether developed or developing. In so far as levels of living improve in the less advanced countries and the disparities among the various peoples are reduced, the dangers latent in the present situation, which are imperilling future peace and harmony, will gradually be averted.

In reply to the question I formulated at the beginning of this address, it may be said that our present position is still unstable, that we have not secured a relatively satisfactory margin of safety for the future of our economies, that our development may once again find itself in a state of stagnation or decline. But it also seems clear that these dangers are not inevitable, that in our own efforts and secondly in the co-operation of the industrialized countries lie the remedial measures which could enable us to consolidate the improvements of the last few years and forge ahead at a better pace. During the present session, we have to make a thorough analysis of the existing situation and give deep thought to the lines of action that should be contemplated for the future. In particular, we shall once again examine international trade conditions in order to draw conclusions as to what we must do ourselves and what we should expect of the countries that are our markets today. We shall also discuss the most advisable ways and means of accelerating the economic integration of Latin America, and on the basis of a study of our industrialization process we shall endeavour to determine what stage in it we have reached and in what direction we should channel our action in order to make more effective progress. The participants in these discussions will comprise not only the developing countries, including the newly self-governing Caribbean States - Jamaica and

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Trinidad and Tobago - which have now joined ECLA, but also the associate members, the representatives of industrialized countries, and observers from other countries and from international and inter-American institutions. It is my hope that these deliberations will be directed towards a constructive search for solutions in the spirit of world wide co-operation that is the raison d'etre of the United Nations.