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Chilean economy is similar, generally speaking, to that of the other Latin American countries.

It might therefore be convenient, in defining its characteristics, to take as our starting-point those factors so rightly emphasized in the report of the Committee responsible for the studies which preceded the creation of the Economic Commission for Latin America.

The first characteristic of our economy is the inequality of development of the various branches of production. The extractive industries have not yet reached that stage of full yield which would stimulate the development of manufacture and other industries. It is therefore impossible to provide the consumer public with an abundant supply of goods and services, or to guarantee it a sufficient degree of stable purchasing power to produce a decent standard of living.

Mining production has developed disproportionately in comparison with agriculture, which is in a less advanced stage, and with the small industries. This absence of co-ordinated industrial development has brought about a number of maladjustments in standards of employment and in the distribution of income. Thus the consumer market is uncertain, and large sections of the population can play only a very limited part in the country's economic life, since their standards of living are very insecure.

Mining production has accounted in the past few years for between 71 and 83 per cent of the country's total exports, and two products, copper and nitrate, made up between 70 and 80 per cent of the minerals exported. Abundant exchanges and the co-ordination of national production must be among the foremost objectives of any sound national economy. In the case of Chile, however, the conditions under which foreign trade has developed have given rise to adverse factors which we are anxious to overcome.

Exports, as we have already mentioned, comprise two main products,

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

/which are sold

which are sold in the raw state, without undergoing any finishing process. Copper and nitrate are for the most part mined by foreign firms, which although they have made possible the development of our natural mineral wealth, return to Chilean economy only a proportion of the value created and are dependent upon markets governed chiefly by international factors.

Whether our economy is depressed or normal depends to an excessive extent on the maintenance of these exports, since levels of employment, revenue, and the amounts of foreign exchange available for buying imports are all closely linked, in our country, with foreign trade. But the most serious aspect of this situation is the fact that maintenance of the type of exchanges described entails a permanent process of impoverishment since, particularly in periods of depression or economic crisis, there is no equitable balance between the prices of the raw materials we export and those we are obliged to pay for the manufactured goods we import.

In order to do away with this negative character of our economy, therefore we need on the one hand to increase the variety of our own production, in order to make it independent of the, at present, essential exports of raw copper and nitrate, and, on the other, to make the maximum industrial use of the varied natural resources of our country by setting up manufacturing industries using iron, timber, coal, chemical products, etc., which might well be produced in Chile, and which, owing to their high market value would have a direct influence on the living conditions of the people.

This is a task of great urgency. The characteristics described are so pronounced that at the present time, although our exports are high, the net product of our economic activity is inadequate to meet all our import requirements, and it is thus difficult to buy mechanical and industrial equipment needed by our country.

Let me enumerate briefly the salient features of our efforts in agriculture, mining and industry.

The deficiencies of our agricultural production are due chiefly to the restricted area under cultivation and to antiquated systems of farming. With regard to the first point, it should be pointed out that the area available for cultivation can hardly be increased at the moment, as it has been impossible to continue work on the artificial irrigation system rendered necessary by the orographical conformation of our country and its rainfall. In the past fifty years our population has increased by 75 per cent, that is, from 3 to 5 million inhabitants, while the area of irrigated land under cultivation has only increased by 20 per cent, that is, from 1,000,000 to 1,200,000 hectares, in round figures. A stationary area of land under

/cultivation causes

cultivation causes a redistribution of crops, without increasing the total value of production. Antiquated systems of farming have held back the productivity of agricultural labour and this has had a permanent effect on the living conditions of the entire rural population, and has raised the prices of the articles produced by farmers and stock-breeders for consumption.

Artificial irrigation of large areas of arable land has been hindered partly by the high cost of work carried out without adequate mechanical equipment, and this, joined to the difficulty of buying farming implements and machinery has meant that Chilean farmers and stock-breeders have not been able to produce as much as the country requires.

As regards mining, as we have already pointed out, there is a marked contrast in our country between the mass production of copper and nitrate, mined almost exclusively by foreign firms, and Chilean mining properly so-called, which is backward and leads a precarious existence, harassed by the problem of production costs, which are influenced in their turn by the scarcity of mechanical equipment. Prospecting, communications etc., are necessary, but not as essential as machinery for economic exploitation.

It should be pointed out, however, that a large-scale programme of industrialization has recently been started, and the Paipote Foundry is a good example of its results.

With regard to industrial production, perhaps the most prominent fact is that notwithstanding the increased volume of manufacturing activity, Chile has not yet been able to develop to the extent desirable those industries for the processing of our abundant natural raw materials which are a fundamental, essential and legitimate necessity for our country. Various difficulties have been overcome, and the necessary steps have been taken to enable Chile to undertake industrial production, on the largest scale possible, of copper, iron, timber, fruit, fish products etc. If this can be achieved, it will be possible to end such economic anomalies as the fact that the rich iron ores of our country, with their exceptional metal content of 60 per cent, are exported abroad in the crude state, and that to produce 1,700,000 tons per annum freight charges are incurred for the carriage of 680,000 tons of stone and earth. It has been necessary to divert maritime transport, which has had a serious effect on the net yield so that while iron represented 36 per cent of our exports for the period 1937 to 1939, it only brought in 2 per cent of their total value.

Industrial activity, which in a healthy economy must imply an effective use of natural resources, has been restricted hitherto owing to limited development and lack of equipment, to light industry.

/Although Chile

Although Chile is satisfied with her manufacturing efforts, which have brought concrete benefits by making it possible to produce larger quantities of consumer goods at home, it is none the less true that Chilean industrial development is still in the initial or elementary stage. We have a light manufacturing industry which depends for some of its more important items to the extent of about 40 per cent on imported raw materials.

The foregoing will suffice to show that it is a matter of urgency for our country to be able to develop those lines of production which will be economically justified by their high output and far-reaching effects on the people's standard of living.

I do not wish to prolong this outline of the salient features of our economy. We know all the complexities of production processes and the urgent necessity for increasing supplies of consumer goods to meet the needs of our fellow citizens. We know that if we are to increase our national revenue we must also have an active policy to ensure supplies of power and fuel; which presupposes plentiful capital and mechanical equipment. We will deal later with our efforts in this field. We also understand, because we are obliged to do so by the peculiar geographic conformation of the country, that the establishment and development of means of transport is a task of the first importance for our economic advance, since it would allow us to open up regions now necessarily unproductive, or productive only to a limited extent owing to the impossibility of delivering their goods to the consumer -- with the inevitable effect on their prices. Finally, we know that a careful monetary and fiscal policy will also be required if the best use is to be made of our national resources. There is no need to dwell upon these equally essential features of our economic policy. I am sure, however, that this more or less general analysis of our economy, which coincides in its individual items with the preliminary studies carried out by the Economic and Social Council of the United Nations, will convince delegates that our economy, despite its present unbalanced state, has considerable potentialities, which by means of far-reaching action, carefully organized with a view primarily to co-ordination with the economies of other Latin American countries in joint action such as will result from the work of this Commission, might achieve a considerable improvement which would be directly reflected in the standards of living of our peoples.

FOREIGN TRADE

The basic structure of Chilean economy and its close relation with world market conditions will be made clear by an examination of the elements of our foreign trade.

Let us take the figures for 1947, in which year exports totalled 4,279,200 tons, with a value of 279,615,400 United States dollars.

This total comprises the following items, in the percentages shown:

| | |
|--------------------------------|-----------------|
| Mineral products | 79.58 per cent |
| Products of forests and waters | 1.33 " |
| Animal products | 2.92 " |
| Agricultural products | 7.38 " |
| Food industries | 2.54 " |
| Liquors and beverages | 0.78 " |
| Textile industries | 0.49 " |
| Chemical industries | 1.60 " |
| Metallurgical industries | 1.73 " |
| Machinery and tools | 0.24 " |
| Transport materials | 0.09 " |
| Various manufactured goods | 1.00 " |
| Specie and precious metals | <u>0.32</u> " |
| Total | 100.00 per cent |

The volume of exports, which in the period immediately preceding the recent war reached an annual average of about 4,000,000 tons, and which dropped to 2,800,000 tons in 1945 as a consequence of the war, has been gradually recovering, so that in 1946 the total was 3,533,000 tons; and in 1947 4,279,000 tons were exported, as shown above.

With regard to the markets for our exports, it is interesting to note the figures showing the percentages absorbed by the consumer markets compared with those of the pre-war period:

| | 1939 | | 1947 | |
|---------------------------------------|-------------------------|-------------|-------------------------|-------------|
| | <u>Value in dollars</u> | <u>%</u> | <u>Value in dollars</u> | <u>%</u> |
| Central and South America | 9,422,612 | 6.59 | 47,520,020 | 16.99 |
| North America | 42,224,435 | 30.26 | 125,000,000 | 44.70 |
| Europe (excluding the United Kingdom) | 62,346,191 | 44.77 | 69,551,535 | 24.88 |
| United Kingdom and sterling area | 17,012,415 | 12.08 | 37,000,000 | 13.24 |
| Asia | <u>7,632,346</u> | <u>6.30</u> | <u>544,845</u> | <u>0.19</u> |
| Total value of exports | 138,637,999 | 100.00% | 279,616,400 | 100.00% |

/As regards our imports

As regards our imports, the prices of the essential supplies which must be brought into the country from abroad are rising faster than the revenue derived from our exports. The cost of purchasing foreign material to work the oilfields discovered in Magallanes has to be met. Now that the producer centres are gradually returning to normal, industries can renew and replace their equipment, which was seriously affected by the war effort.

The total value of our production shows a low average per head, due largely to antiquated and insufficient equipment. It is only by sacrifice that we shall be able to prevent this value being consumed entirely on non-profitable purchases and divert an appreciable proportion of it to capitalization in equipment and machinery, with a view to improving productivity and raising the national income with a resultant rise in living standards. We have accepted this sacrifice in Chile. Since 1946, the Government has issued a series of decrees restricting the importation of unessential luxury goods, and the last of these decrees, towards the end of 1947, prohibited such imports altogether.

The use of purchasing power abroad has also been rationalized, by a law which has made it possible to raise or serve the loans required to help our economy through this formative period. The figures for Chilean imports are as follows:

| <u>Year</u> | <u>Tonnage</u> | <u>Value in dollars</u> | <u>Average value per ton (in dollars)</u> |
|-------------|----------------|-------------------------|---|
| 1939 | 1,231,647 | 84,689,735 | 68.76 |
| 1945 | 1,633,900 | 155,883,700 | 95.40 |
| 1946 | 1,827,800 | 196,629,500 | 107.58 |
| 1947 | 1,954,100 | 269,553,800 | 137.94 |

The sources of our imports in 1939 and 1947 were as follows:

| | <u>1939</u> | | <u>1947</u> | |
|---------------------------------------|-------------------------|----------------|-------------------------|----------------|
| | <u>Value in dollars</u> | <u>%</u> | <u>Value in dollars</u> | <u>%</u> |
| Central and South America | 14,343,389 | 16.94% | 104,206,185 | 38.66% |
| North America | 26,870,969 | 31.73% | 120,894,008 | 44.85% |
| Europe (excluding the United Kingdom) | 29,766,071 | 35.15% | 227,546,391 | 10.22% |
| Asia | 5,812,924 | 6.86% | | |
| United Kingdom | 7,896,362 | 9.32% | 16,907,216 | 6.27% |
| Total value of imports | 84,689,735 | 100.00% | 269,553,800 | 100.00% |

/Imports for 1947

Imports for 1947 were as follows:

| | | | |
|--|-----------------------|-------------|---------|
| Industrial machinery and transport equipment | United States dollars | 66,593,600 | 24.71% |
| Food industry | | 34,583,600 | 12.83% |
| Raw materials and fuel | | 148,205,500 | 54.98% |
| Manufactured articles | | 19,595,400 | 7.27% |
| Miscellaneous imports | | 575,700 | 0.21% |
| Total | | 269,553,800 | 100.00% |

Raw materials and fuel, which in 1939 accounted for 33% of all imports, rose in 1939 to 44% and in 1947 to 54.98%, reflecting the efforts our metal industries were making to counteract the drop in the supply of finished articles from abroad. For the same reason, imports of machinery and equipment show an increase of 4.71% over the 1939 figures.

These figures provide a faithful picture of our country's position and give some indication of the problems common to all our nations. Chile has to ship two tons of exports for every ton imported, and while the prices obtained in 1947 for the goods exported represented an average increase of 93.19 per cent as compared with the 1939 prices, our payments for imports in 1947 were 101 per cent higher than the 1939 figures. In the first months of 1948 the divergence between the curves of export and import prices has been growing with a resultant increase in the difficulty of maintaining a more or less normal level of essential supplies.

The figures for our trade with Central and South America are also worthy of note. In 1947 Chile purchased goods amounting to 140,206,185 United States dollars from these countries; i.e. 38.66 per cent of our total imports.

As against this, Central and South America purchased goods amounting to only 47,520,020 United States dollars from Chile; i.e., barely 16.99 per cent of our total exports. In view of the fact that we may soon be able to offer some Chilean products in a more highly finished state, and of the logical international co-ordination of productive effort which may reasonably be hoped for in this hemisphere, we are confident that this situation will tend to adjust itself, to the advantage of all.

Our balance of payments, which inclines fundamentally to be unfavourable, but which, owing to import difficulties during the recent war, showed fairly large favourable balances up to 1945, produced a deficit of 30,000,000 United States dollars in 1947, allowing for both visible and invisible foreign trade.

/ THE PROBLEM

THE PROBLEM OF THE FOREIGN EXCHANGE SHORTAGE

The shortage of foreign currency is certainly the most urgent problem with which we have been faced in recent years, and it remains our most serious difficulty.

The solution of this problem does not lie exclusively in our hands. In so far as it depends on a substantial increase in our exporting capacity, it can be solved only by means of large new investments, only a small part of which can be made with national capital. Another solution would be for the Latin American countries to obtain higher prices for the raw materials they export; prices which would stand in fairer relation to those of the manufactured articles imported by them. But the principal help must come from abroad in the form of foreign capital, to be invested in undertakings which can contribute directly or indirectly to improve our balance of payments position.

The shortage of foreign currency, however, is not our problem alone: it affects all the Latin American countries to a greater or lesser degree, and is in fact a universal problem.

The Marshall Plan has provided an admirable solution in the case of Europe; but as our Chairman pointed out in his opening address, it would be mistaken to suppose that this plan will be of equal help in solving the problems of Latin America. With one or two exceptions, the Marshall Plan will bring the countries in this part of the world only small sums, which will provide no appreciable help in their difficulties.

It is perhaps not quite correct to speak of the problem of "foreign currency" in general. For us, as for most countries outside our continent, the problem lies in an acute shortage of one foreign currency alone: the dollar.

What is happening is that except for the nations of the sterling area the only international currency is now the dollar. Export and import trade invoices are reckoned in dollars, and payments in dollars are also required, even when they could quite well be made in some other currency.

In these entirely abnormal circumstances there is a marked tendency for the conclusion of bilateral payments agreements; itself a system which cannot be considered natural and is quite incompatible with the spirit of the Bretton Woods Agreements.

/Under the bilateral

Under the bilateral payments system the payments falling due in trade between two countries largely cancel each other out, purchases made by one country being balanced against those made by the other. Only the balance outstanding is generally paid by agreement in dollars.

If this system became general, the demand for dollars would clearly tend to fall appreciably, being limited in practice only to outstanding amounts in balances of payments.

The head of the Peruvian Delegation has already suggested in his speech "the establishment of a system of current clearing accounts in national currencies in the various Latin American countries, in so far as their mutual trade is capable of being balanced."

This is an interesting proposal and one worthy of study.

The Chilean Delegation considers, however, that a clearing system of this type, confined exclusively to American countries, including the United States, would prove ineffective in practice in view of the restricted flow of trade between the Latin American countries themselves. It might certainly be of some small assistance, but would exclude all other countries, particularly the European nations, whose importance for our foreign trade must increase in future years.

The Chilean Delegation is therefore of the opinion that it might not perhaps be expedient to create a purely regional clearing system, and that a general international clearing system would be more effective.

In this connection it is important to recall that one of the purposes of the International Monetary Fund--in fact one of its most important purposes--is, according to paragraph 4 of Article 1 of the Agreement, to "assist in the establishment of a multilateral system of payments in respect of current transactions between members and the elimination of foreign exchange restrictions which hamper the growth of world trade."

Since, therefore, this is one of the objects of the Monetary Fund, and there is such an evident need to take some step to re-establish a more normal and natural system of international trade, the Chilean Delegation thinks that it would be more useful if the Economic Commission for Latin America or the Economic and Social Council of the United Nations were to suggest to the Monetary Fund the expediency of studying the practical possibilities of initiating a clearing system of international payments through the accounts in national currency which all the member countries hold in the Monetary Fund.

/This solution

This solution would naturally not eliminate the fact that except for the United States almost all countries today have unfavourable balances of payments; but it would make it possible to reduce the demand for dollars and combat the shortage of this currency which is having such drastic effects on world trade.

GOVERNMENT PLANS FOR THE DEVELOPMENT OF CHILEAN ECONOMY

At the beginning of this survey, the fundamental characteristics of Chilean economy were described and its shortcomings and dangers emphasized.

The Chilean Government has tried, either directly or through bodies created specially for the purpose, to remedy the situation, and has carefully studied plans for the industrialization of our resources and the co-ordination of our economic potentialities.

The public works which the Government is executing through the various branches of the Public Administration may be divided into two groups: those connected directly with our economy and those connected indirectly with it.

The first group includes among other things irrigation, the provision of electrical power for agricultural and industrial purposes, and work on communications, including roads, railways, airports, sea and river ports.

The second group comprises:

(a) Sanitary works directly connected with public health, such as sewage systems, drinking water, and land drainage;

(b) Schools bearing directly on production: agricultural, trade and technical schools;

(c) Institutes for the care and improvement of health: hospitals, gymnasia, and sports grounds; and

(d) Subsidiary works, some of them connected with the improvement of transport, such as the paving of roads; other works promoting social welfare; regional organization of services such as town planning.

Despite the nation's efforts, the funds appropriated for this type of works (the only funds capitalized from State revenue) have been inadequate, which means that there is at present a considerable gap between what has been done and what needs to be done in accordance with the plans drawn up in this field.

/A survey

A survey of the work carried out shows a cost of about 30 thousand million pesos national currency. Despite this fact, the rate will have to be speeded up if we wish to make up our lee-way with a view to restoring within a reasonable period of time, a proper relation between the works available for use and the needs of national life and economy.

To this end it will be necessary to make available a sum of 11 thousand million pesos, a figure calculated on the basis of a regular national development such as has taken place over the past ten years, plus 20%. Only thus shall we be able to speed up the work and make up for the lag which I mentioned earlier.

As I have already said, the Government, in addition to the action which it is taking directly through technical bodies under the Public Administration, is carrying out a vast plan for industrialization and the rational use of our resources through the agency of institutions specially created for that purpose. Amongst these, special mention must be made of the work done and the results obtained by the Corporation for the Development of Production, as of the work done by other credit and development agencies such as the Agrarian Credit Fund, the Mines Credit Fund, the Industrial Credit Institute and the Housing Fund.

The principal results already attained under the projected plan and through these development agencies are the following:

(a) The establishment of an iron and steel industry with a capital of more than 60 million dollars and a productive capacity of 200,000 tons of finished products per annum. Construction of the plant is already well advanced and partial production will begin next year, with full production being reached in 1950.

This undertaking is organized as a mixed company with private and State capital, and credits obtained by the Corporation for Development from the Export-Import Bank have been transferred to it.

/After the loans

After the loans raised for the purchase of equipment have been repaid this will mean a saving for the country of 12 million dollars in small imports. The plant can easily double production should the market require it.

Discovery of Petroleum. - In view of the importance of fuel in modern economies, the Government has been particularly concerned with oil prospecting. After five years of intensive work, in which the best United States technical assistance available was used, petroleum deposits have been discovered and it is hoped that production of crude petroleum will start next year. The construction of a refinery and the purchase of oil tankers are under consideration. This year a pipe-line is to be constructed to convey the petroleum to the ports.

Electrification of the Country. - The importance of electricity production, not only for raising the standard of living, but also for the development of industry, needs no emphasis. Before this work was started and credits obtained from the Export-Import Bank of Washington for the importation of equipment, the country could develop 500,000 kilowatts, 250,000 of which were used exclusively for the copper and nitrate producing industries. Recently 250,000 kilowatts more have been made available, and two new power-stations are being built, while the construction of others is planned; for the demand is so great that the new production has been inadequate.

The principal undertaking concerned in this plan of electrification is the National Electricity Company, in which the Corporation for Development holds most of the capital. In addition, private undertakings desirous of constructing their own plant have been helped to obtain foreign loans.

Mechanization of Agriculture. - One of the chief concerns of the nation is agriculture. With a view to increasing production efforts have been made to improve the technical methods used but the most important development has been the mechanization of agriculture.

The Corporation for Development is purchasing machinery abroad and handing it over to farmers. More than half the agricultural machinery the country now owns has been purchased in this way. The effect on production is already noticeable. All the machinery offered has been taken up immediately. The only limitation on this programme has been the relative inadequacy of foreign machinery production in face of heavy world-wide demand.

/These, we may say,

These, we may say, are the fundamental projects which have been initiated. Other plans of great importance to our country have also been carried out, if not on such a large scale as the foregoing. Amongst these may be mentioned: the doubling of cement production capacity; the establishment of a large copper working plant; the Paipote Foundry, which I have already mentioned; the manufacture of tires, etc. The Government has also taken action to modernize our railways and urban transport.

As regards new programmes yet to be undertaken, special studies have been made of our forest resources and the potentialities of the country's fishing industry. We are hoping shortly, by means of foreign credits and private capital, to be able to produce cellulose, and to reduce costs and increase production in our timber industry, so as not only to satisfy the home market, but to be able to export. Similarly we hope to establish a large fishing industry, not only for the home market but with a view to large-scale exports.

Of great importance to Chilean economy is the agreement between the Government and the Anaconda Copper Co., for the investment of 130 million dollars in Chile to renovate part of the Company's plant and increase its productive capacity. Mention should also be made of the great effort made by the textile industry, which has increased its productive capacity several times over in the last few years, using private capital alone.

FOREIGN LOANS AND CAPITAL

One of the purposes of the Commission for Latin America is "initiate and participate in measures..... for raising the level of economic activity in Latin America."

This is a task of the highest importance, decisive not only for the internal economic progress of the Latin American countries, but also for their capacity to co-operate "in the common effort to achieve world-wide recovery and economic stability."

It is a fact, however, that the majority of Latin American countries are not in a position to develop their production to a degree consonant with their economic potentialities and their enormous natural resources, owing to the fact that their internal capitalization is progressing too slowly. National capital resources are certainly sufficient to finance small and medium sized undertakings, but these are always of minor importance and directed to the home market; to launch large scale schemes or make full use of new sources of natural wealth, which would help to increase the importance of these countries as contributors to world production, the assistance of foreign capital is indispensable.

/Up to the end

Up to the end of the third decade of the present century, there was a relatively abundant flow of foreign capital into Latin American countries; but it was unorganized and uncontrolled. Even in cases where there were definite development plans these did not guarantee the rational use of foreign capital for organic expansion of national productive capacity.

In the first years of the war this flow of capital was sharply cut off. Since then new investments of foreign capital have remained very small, and never adequate to provide a powerful and decisive spur to Latin American production.

This fact has had serious repercussions in the monetary field; if we analyze the issues made by the Central Banks of the Latin American countries during the past fifteen years, in order to ascertain their purpose, we shall certainly find that they have been used largely to build up the national financial capital needed by the economies of the countries concerned to avoid a total cessation of their material progress.

It is clear that this means of building up national capital is inflation pure and simple, and there can be no doubt that one of the causes, if not the most important, of the chronic inflation which afflicts all Latin American countries is this form of activity on the part of the Central Banks, which, in order to meet ever growing needs, sometimes of an urgent nature, have to use these methods, and renounce all consideration of the basic principles of sound monetary policy.

The Latin American countries cannot continue indefinitely on this road. Inflation is not necessarily caused by chaotic financial administration. Its causes lie deeper, in the very necessities of the economic and social development of our countries, created by the immensely increased speed of scientific and technical progress.

The Economic Commission for Latin America should therefore deal with the problem of the investment of foreign capital for the development of the natural economic resources of our countries, as a question of fundamental importance.

The problem has various aspects, all closely interlinked and each requiring special attention.

Of course, the Latin American countries will have to do everything in their power to restore conditions favourable for the investment of foreign capital, particularly private capital. The prospects

/open

open to foreign capital in these countries are enormous, but to attract new investments an atmosphere of confidence must be created, for without such an atmosphere the most attractive economic and financial plan cannot provide a sufficient incentive for investment.

It should be emphasized that our countries are contemplating legislation in keeping with the principles set forth in Article 25 of the Economic Agreement of Bogota, which declares that States should not expropriate undertakings or foreign capital "for reasons or under conditions different from those that the Constitution or laws of each country provide for the expropriation of national property" and that "any expropriation shall be accompanied by payment of a fair price in a prompt adequate and effective manner". Such legislation will guarantee invested capital the free transfer of any profits made, together with a proper rate of amortisation.

It may be recalled that the Bogota Agreement, like the Trade Charter signed at Havana, recommends that each State should "seek to liberalize its tax laws so as progressively to reduce or eliminate double taxation as regards income from foreign sources, and to avoid unduly burdensome and discriminatory taxation". There can be no doubt that such measures will constitute an effective encouragement to the investment of private capital abroad.

Up to the early nineteen-forties, foreign capital entering Latin American countries generally came from public loans raised by governments in the great financial centres and from direct investments made by big foreign undertakings through subsidiary companies in the countries concerned.

The first of these types of investment, or the raising of public loans abroad, has lost much of its former importance for us. For most Latin American countries it is to-day difficult, if not impossible, to obtain foreign capital by this means. The Export-Import Bank of Washington has been able to give a certain amount of help to some countries by loans for the development of new types of production. Generally speaking, however, loans from the Bank are for a relatively short term and not very suitable for the establishment of large industrial undertakings, which do not always yield profits adequate to ensure rapid amortisation. It is therefore to be hoped that the proposed increase in the Bank's capital will enable it to provide even more complete and effective assistance, particularly by granting long-term loans.

/The International

The International Bank for Reconstruction and Development has hitherto devoted itself primarily to giving financial aid to certain countries whose economies have been gravely damaged by the war. That is logical and no other action was to be expected. But the need for the Bank to use its resources chiefly for European rehabilitation has been considerably reduced now that the Marshall Plan has come into force. The Bank itself has stated that for the time being no new loans will be granted to countries receiving assistance under the Plan. Hence there is a possibility that in the future the Bank will be able to give more attention to the fulfilment of its second fundamental task, which is "the encouragement of the development of productive facilities and resources in less developed countries", and, particularly, in the Latin American countries.

Something should also be said concerning methods of the transfer and use of loans or foreign capital.

As a general rule, bank loans made to our countries are transferred entirely in the form of real capital, that is to say they are used for the purchase of machinery, equipment, etc., in the country granting the loan. But the installation and use of such equipment frequently involves additional expenditure in national currency, which is not always available in sufficient quantities. It would therefore be desirable, in certain cases, for part of the product of such loans to be transferred, in the form of foreign currency, which could be taken up by the Central Banks and converted into national currency to meet expenditure in that currency by the undertaking to be developed. Of course, guarantees would have to be provided to ensure that the foreign currency derived from this part of the loan, when sold on the market by the Central Banks, should not be used to pay for non-essential imports, but should be devoted to essential purchases. In any event, all this foreign currency would soon return to its country of origin, and the economic effect for the latter would be the same as if the loan capital had been transferred directly and entirely in the form of material goods.

CO-ORDINATION

We have described the characteristics of Chilean production, the way in which we have exploited and developed our resources in the past; the weaknesses of our economic structure; the efforts made to establish new industries; the plans drawn up, and partly carried out, with a view to freeing our economy from its excessive dependence on outside influences and international contingencies and fluctuations; our lack of capital to meet our financial needs; our unfavourable balance of payments, and the need

/to attract

to attract to our country any capital for which no profitable use can be found in other countries, so as to contribute to our development and earn the legitimate profits to which it is entitled.

It is now the Commission's task to analyze the information provided, to go fully into the problems raised and, in collaboration with the committees which will be appointed during this session, to study and to find solutions for problems which are in essence common to all the Latin American countries.

But the Commission could not carry out its task successfully if it confined itself to considering the problems of each country in isolation without paying due attention to the close connection existing between the economy of each nation and the rest, and the need to consider them as a whole and establish an effective and flexible system of co-ordination between them.

In a continent of such great and varied natural wealth as ours it is not difficult to find differences which, while they reflect specific characteristics, also suggest the most suitable direction to be given to productive activity and the best way of obtaining the greatest possible yield, provide a basis for logical and creative co-ordination and indicate means for progressive and fruitful co-operation between governments and peoples.

America must oppose the principle of economic individualism, which so easily tends to degenerate into autarchy, by that of economic co-operation, for which its very nature has fitted it, and which will make it possible not only to avoid unreasonable and harmful competition but to organize the co-ordinated development of all the countries in the hemisphere thereby ensuring that their production is ^{not} hampered by activities of a more or less artificial and anti-economic nature. Furthermore, this economic policy would tend to establish an equilibrium in balances of payments between Latin American countries..

This is not an easy task, and its accomplishment will require no small effort, but we believe that the Commission must carry it through if it is to fulfil the purpose for which it was created and attain the objectives laid down in the resolution of the Economic and Social Council. We therefore think that among the specific items of the Commission's programme this must be considered as a fundamental aim; one, indeed, which should to some extent condition the rest of its activities.

/In considering

In considering and studying effective means to achieve economic co-ordination, the Commission must bear in mind the need of our countries to obtain safe markets which would supplement the national markets, as it were, and provide a sound and appropriate basis for the production of the industries arising from the natural process of economic development; which has been stimulated in all the nations of our continent by world conditions. To this end, we shall have to try to enforce the provisions of the Havana Charter relating to agreements on preferential treatment to promote the economic development of less developed countries, such agreements being one of the most direct and effective means not only of providing the economy of individual Latin American countries with solid foundations, but also of ensuring the prosperity of the continent as a whole. This prosperity will be manifested by greater purchasing power, a rise in standards of living and an increase in needs, which will require for its satisfaction an expansion of trade and renewed active exchanges with extra-American countries, thereby widening our field of action and promoting an ever wider distribution, more equitable and more harmonious of all the goods and products necessary to the life and progress of peoples.

In this way our Commission, though established on the face of it, to deal only with the problems affecting the nations of this hemisphere, can help, without leaving its own ground or abandoning its specific terms of reference, to give effect to the purposes set forth in the International Trade Charter, thereby ensuring a constant growth of real income and effective demand, developing production, consumption and the exchange of goods, and contributing to the equilibrium and the expansion of world trade.

When the occasion arises, the Chilean delegation will submit certain concrete proposals relating to the subjects touched on in this survey. Meanwhile, guided by its desire to contribute to the success of the Commission's proceedings, the delegation wishes to propose that the work be divided amongst a group of small committees which will undertake with the collaboration of the experts of the Economic and Social Council and the Secretariat staff, the consideration and study of the leading problems common to the Latin American countries.

To this end, the Chilean delegation suggests that the following committees be established:

(a) Committee

- (a) Committee on Financial Affairs. To study the problems arising from the foreign exchange shortage, the balance of payments and inflation;
- (b) Committee on Food Production. To study the current food situation, possible new areas for cultivation, fertilizers, irrigation, mechanization, specialized labour and market stabilization;
- (c) Committee on Industrialization. This Committee would study the industries to be developed and would draw up a completely co-ordinated international plan. It would also deal with problems of immigration, specialized labour, etc.;
- (d) Committee on Supplies for Existing Industries. This Committee would study the effect the war had on industry by rendering difficult renewal of machinery and cutting off supplies of raw materials;
- (e) Committee on Transport. (Railways, roads, shipping, equipment, ports, etc. Co-ordination with industry and agriculture. Plans for financing.)
- (f) Committee to Study the Co-ordination of Economic Activities in Latin America.

We hope that the Economic Commission for Latin America will successfully carry out the great task entrusted to it by the Economic and Social Council of the United Nations, and that from its discussions and proceedings there will emerge positive results which will help to remove the anxieties felt concerning the economic future of this continent. The Chilean delegation, moved by the same spirit which inspired its Government to ask for the creation of this agency of international co-operation, repeats its firm resolve to devote its full and enthusiastic collaboration to that end.

