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STATEMENT MADE ON 6 MAY 1965 BY MR. PHILIPPE DE SEYNES,  
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If the indicators normally used in analysing short-term trends were to be taken as the sole criterion, the current session of your Commission could proceed without undue alarm, in a peace of mind justified by relatively favourable economic conditions. Earlier growth rates have been maintained, and a revival of activity has been noted in areas where there was previously stagnation. Thanks to a rise in average export prices, the countries of the region are today the only ones enjoying more favourable terms of trade than at the start of the decade. Since your last session, moreover, there has been welcome progress, offering hope of a greater ability to deal with future problems, as regards certain basic aspects of the economic situation in Latin America. All the countries on your continent now have development plans. They have created agencies for carrying out those plans - agencies whose efforts are encouraged and supported by the Inter-American Committee on the Alliance for Progress, the strategic organ of a remarkably conceived co-operative programme which, after a difficult period of gestation, is beginning to bear fruit.

Progress has also been made in two sensitive areas: land reform and tax reform. Public revenue and savings now represent a larger proportion of the national product than they did formerly, and tax systems are tending to be based to a greater extent on the tax-paying capacity of the different segments of the population. Major steps have been taken to improve tax administration, to apply stricter rules to the preparation of budgets, and to channel savings towards economically or socially productive investment.

However, if we look no further than this picture we shall be ignoring what is unquestionably the most fundamental economic reality of Latin America at this critical point in its history. Exports are not increasing to the desirable extent - indeed their increase in volume has been much smaller than elsewhere - and that fact alone is enough to rob us of the satisfaction we could otherwise feel at the good behaviour of the terms of trade. But it is on exports that the rate of your development now depends, for foreign debt service is already a crushing burden, particularly in view of the large number of loans falling due in the middle of this decade. The limits of borrowing capacity have in many cases been reached and in some cases been exceeded. Indeed, it has become urgently necessary to take action against

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the abuse of certain types of short- and medium-term credit, linked with offers of capital goods, which have substantially increased the cost of development. Regardless of the hopes that may be placed on an inflow of capital on reasonable terms - hopes which have been encouraged by the recent activities of the World Bank and the Inter-American Bank - one is tempted to revive for this continent the slogan "Export or die" that was applied to England in the nineteenth century.

The sluggishness characterizing the export sector is unquestionably attributable in part to shortcomings in the productive apparatus. Throughout the continent, agriculture is sadly lacking in the dynamism it needs; inflationary pressures remain strong, causing unfortunate distortions in the pattern of investment. Moreover, there does not yet appear to exist that "exporter's mentality" which, as we know from past experience, is often capable of circumventing or overcoming any obstacles devised by importing countries.

Given all these factors, there still remains a crisis of a structural nature, in a sense, which has to do with the system of world trade. At your present stage of development, the needed rise in your exports seems to be largely dependent on the gradual adoption of a new international division of labour - more so, perhaps, than in other parts of the world where the traditional pattern still provides scope for a certain amount of growth. That is what made the Geneva Conference, held under the able guidance of your former Executive Secretary, Raúl Prebisch, a particularly dramatic event for the countries of this continent. In itself, it is true, the Conference disclosed nothing that was not already known or, at least suspected. However, like those great historic events which suddenly accelerate the world's dawning awareness of a problem, it threw a sharp light on certain facts, defining the difficult choices we face and rendering impossible any further resort to certain intellectual evasions.

We knew, at Geneva, that trade policies cannot be changed overnight or easily. However, our main task was to lay down guidelines, to develop a working hypothesis to guide the actions - in particular, the investment policies - of States and enterprises. We knew that behind the aspiration for solidarity so eloquently expressed, for the first time, by all the

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developing countries, certain conflicts emerged as soon as the moment came to proceed from principles to the formulation of specific policies. We were not blind to difficulties which the perpetuation or adoption of preferential systems could create for the establishment of a rational world-wide system. However, the differences did not seem so pronounced as to be incapable of being resolved under a progressive programme whose predetermined stages would mark a steady advance, albeit along an obstacle-strewn path, towards a comprehensive system in which certain of the developing countries would not obtain advantages at the expense of the others. We envisaged a world-wide system under which regional integration, as it has just been so cogently defined once again by the four wise men of Latin American economics, would not be regarded as an alternative to something more desirable, a solution born of despair, a retreat from a world-wide system which refused to emerge, but rather as a constructive effort on the part of countries linked by history and geography to adapt and strengthen their economic structures and, as a result, their bargaining position vis-a-vis the industrial world.

Very serious thought must be given to the means of realizing this vision and of winning ground for it in men's minds before the opening of the next Conference. To what extent should your countries place their reliance on the world-wide system or on various types of preferential markets in order to ensure the vitally necessary rise in their exports? Unless the next Conference achieves at least limited results, it will unquestionably be the harshest solutions, based on stricter and more confining compartmentalization than is desirable, which will tend to prevail. Since we cannot hope to overcome resistance from all quarters at once, it might be advisable to concentrate the greatest possible efforts on the raw materials-processing industries, the semi-manufactures sector, which not only must be expanded if you are to increase your foreign earnings, but would have the further advantage of promoting the development of the most modern industry in your countries.

Following this line of thought, I feel it was a fruitful idea which prompted ECLA to devote this session to both problems of trade and problems of industry, for the foreign trade of the Latin American countries must be

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viewed today not only in terms of commercial and tariff policies but also - and what is perhaps more important - in terms of industrial organization. From this standpoint, we must be fully aware of certain developments which have recently occurred on the world scene.

The structure of industrial enterprises based on modern technology is tending to become international. The very dynamics of technological innovation itself, the increasing investment which it necessitates in the costly operations of research and application, and the interdependence and overlapping of technical processes throughout the various sectors of industry make it essential for industrial enterprises to be established on the broadest possible financial basis and to cover a wide variety of manufactures. In these circumstances, they must be financed to an increasing extent by the combined investment of the largest firms, with national budgets capable of subsidizing the necessary research. We may deplore this tendency, which appears to be driving the world towards over-hasty material changes, and we may think that there would be greater opportunities for development to proceed harmoniously if the structure of world demand were more stable and technological progress consumed less resources. It would then be easier for the small or medium Powers to specialize in order to win certain markets, as they did during the first half of this century. But it would be futile to seek protection against an irreversible trend and to concentrate, for example, exclusively on those relatively limited sectors in which it is possible to devise a special technology related to the needs of the developing countries. It is more profitable to determine the conditions in which the new structure of modern industry can be made to serve the aims of the developing countries, and what new policies can be worked out to help reconcile the various national interests. Let us have no illusions as to the difficulty of this problem. For we are witnessing the development of a situation of technological quasi-monopoly which has serious political implications and which is beginning to cause some concern even in the most modern countries of Western Europe. Nevertheless, protectionist solutions, even if they are extended to the frontiers of a region, may prove inadequate and fruitless.

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This new situation calls for a higher degree of international co-operation, based on policies which so far have not received adequate study. The community of nations is not equipped - far from it - with legal instruments, institutions, or practices, which take into account the advance of technology and its consequences for industrial organization. In the past, technology was for the most part disseminated by means of patent licences under an international convention. That proved effective for an entire epoch, and it is doubtless this system that is in large measure responsible for Japan's spectacular and admirable achievements. But today patents are no longer the force they were in the past. They appear sometimes to be of minor importance in the general complex of non-patented and undisclosed technical processes and skills which enable the firm responsible for the invention to keep the very firms to which it concedes its use in a state of technical dependence. The present situation requires a much closer co-operation.

With a few exceptions, the industries which the Latin American countries now have to build involve, broadly speaking, three elements: they are characterized by high capital-intensity, they need to be backed by extensive industrial experience, and they call for the opening of international markets. This type of industrialization has the best chances of success when undertaken in co-operation with already established industries which are able to contribute the three elements in question; and our present task should be to create the conditions most favourable for this co-operation, while at the same time reducing the feeling of dependence and mitigating inequalities. From this standpoint, the international companies which we see increasing and multiplying are still at an early stage of their development. They will not produce the benefits they are capable of bringing unless they succeed in achieving a true internationalization of ownership, management and control and, at least so far as concerns the most advanced of the developing countries, a certain degree of co-operation in technological research.

The various factors involved should not be considered exclusively from the viewpoint of economy or efficiency; they should be shaped in obedience to a strategic conception, based on policies which would minimize the

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subordinate position of subsidiaries vis-à-vis the parent company and would develop a real sense of participation among the various units of a single complex. Experience shows that such an aim is not necessarily unattainable. Some of the most dynamic international companies have taken root in small countries like Switzerland or the Netherlands. Their operations have spread over so vast an area that their economic and financial interests can now scarcely be identified with their countries of origin or with any one of the countries in which they operate.

We must realize the extraordinarily delicate nature of these problems. Nowhere do they awaken such sensitive reactions as on this continent. We cannot do better than to ponder what the four wise men felt obliged to say in their report on the subject of private capital. It would be absurd to propound theoretical schemes here, as though the problem were simple and could be solved solely on the basis of intelligent self-interest. Here more than anywhere else, we must show a sense and a knowledge of history, for the penetration of foreign capital is a theme intimately bound up with the development of your societies, with the convulsions which have rocked them, and with the collective emotions which have gone to shape your personality. We need only glance back over the history of our host country during the last half century to understand to what extent certain attitudes are the result of a great and dramatic historical process which cannot be effaced by high-handed fiat of the spirit of organization. But at the same time we see here, perhaps better than anywhere else, that solutions are taking shape and that compromises are gradually emerging from the crucible of history; and more and more we are convinced that the coming of such solutions and compromises can be hastened by far-sighted collective action based on a modern conception of international co-operation.