

United Nations
ECONOMIC
AND
SOCIAL COUNCIL

Nations Unies
CONSEIL
ECONOMIQUE
ET SOCIAL

E/CN.12/100
31 May 1949
ORIGINAL: ENGLISH

ECONOMIC COMMISSION FOR LATIN AMERICA

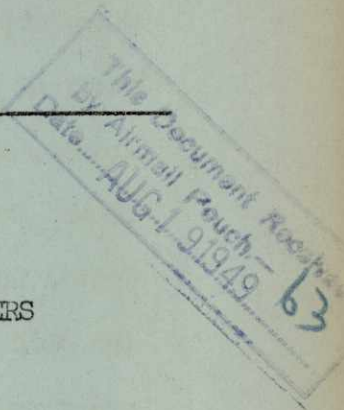
SPEECH DELIVERED BY THE REPRESENTATIVE

OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. H.W. BALGOOYEN

The National Association of Manufacturers is very glad to be represented here at the meeting of the Economic Commission for Latin America, and is grateful for the opportunity to speak before this assemblage. Our interest in the economic development is understandable, since the N.A.M. represents 85% of the productive capacity of the United States and many of our members are actively interested in Latin American industrial and agricultural enterprises, finance and trade. In numerous public statements and official resolutions, our organization has expressed itself in favor of economic development, and the sound industrialization of countries whose resources have remained relatively undeveloped. We realize that sound industrialization, with the increased productivity and higher living standards it fosters, means wider markets for our products, increased imports of the raw materials and finished products which can be produced more efficiently in other lands and a greater interchange of goods and services to the benefit of us all.

It was for these reasons that the N.A.M. sent a delegation to call on President Truman immediately after his inaugural address, to pledge its cooperation in developing Point 4,



usually referred to as the Bold New Plan; and it was for these reasons that the N.A.M. began work immediately on a study of the Capital Export Potentialities of the United States, which report was finished and delivered last March to the Honorable Trygve Lie, Secretary General of the United Nations. This was followed by an N.A.M. report on the Bold New Plan consisting of a program for under-developed areas and a statement of principles prerequisite to the free flow of foreign investment capital, which was recently released and made available to the Economic and Social Council.

The N.A.M. study on capital export potentialities, although based on exhaustive statistical research, does not purport to be a definitive prediction of what may actually occur in the years ahead. It is realized that past experiences and present trends in capital formation can only serve to illustrate the nature of the problem and indicate the probability of the dollar amounts involved. It is also recognized that the range of probability must rest on specific assumptions, the most important of which is that the economic climate, the "Ambiente Economico" at home and abroad, will be such as to encourage savings and capital formation and create incentives for foreign investment. Under these assumptions the study concludes that private foreign investment by United States citizens will amount to as much as two thousand million dollars per year after 1952, and, at that figure, will not impose any serious strain on the domestic economy and living standards of the United States. Whether this estimate will actually be reached must

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depend, necessarily, on a great number of separate decisions made by individual investors who will carefully weigh the risks involved and the comparative advantage of investing at home, in foreign country "A" or in foreign country "B".

I regret that I have not had the opportunity to study thoroughly the Economic Survey of Latin America presented by the Executive Secretary and prepared by the distinguished group of economists of the Economic Commission for Latin America under the able direction of Sr. Castillo and Mr. Swenson, with the cooperation of Professor Prebisch. Fortunately, I was able to read the sections devoted to the subjects of Production, Manpower, Cost and Demand, Financing and Foreign Investment. Needless to say, I was greatly impressed by the objectivity of the study and the amount of care and effort that obviously had gone into its preparation. I especially commend to your attention the chapter on financing and foreign investment. This chapter begins, and rightly so, by recognizing the importance of the role which domestic savings and investment must play in economic development. While pointing out the scarcity of the domestic savings and recognizing that the progress of economic development will be severely handicapped without the assistance of foreign capital, it calls attention to the fact that many countries are not realizing their full potentialities for domestic capital formation; that, for various reasons, including the inflationary situation which prevails throughout most of Latin America, savings are not as high as they should be, and that they are not being channeled into productive enterprises. A differentiation

/is made

is made between the voluntary savings of the small high income group and the compulsory savings through taxes and social security funds which can be invested. The study notes, however, that both types of savings are being directed into non-productive investments and illustrates the point by reference to nations where a very high percentage of net savings has gone into housing, mainly offices and residential buildings for high income groups.

There is no denying that a great need exists for low cost housing, not only in Latin America but in most areas of the world; and it is important to satisfy this need; but as progress is made in overcoming this deficiency the very substantial savings accumulated in social securities "Cajas" and other funds might well be invested increasingly in financing sound industrial development and in expanding the productive capacity of the nation to the benefit of the wage earner and the public at large.

This discussion of the financing problem notes, further, that in the absence of sufficient domestic capital formation, foreign capital is of particular significance, not only by permitting a greater measure of consumption but also by creating new investment opportunities for domestic enterprise. The N.A.M. recognizes the desirability and the advantages in many instances of the creation of mixed enterprises in which both domestic and foreign capital participates, although it maintains that if such participation is required by law, much venture capital will be turned away. North American investors in productive enterprises in Latin America

/frequently

frequently find, however, that domestic capital is unwilling to venture in these enterprises because of the relatively low rate of return obtained, the long term nature of the investment, or because of their preference for liquid funds. As the report of the Commission states, many Latin American investors seem to prefer commercial undertakings, where profits are higher and the investment is turned over more quickly. I am not calling attention to these facts in any critical sense, since, in our free America, North and South, each individual retains the God given right to do as he will with the fruits of his labors (perhaps I should say, what is left of these fruits after taxes); but it is only natural for foreign investors to hesitate before investing their savings in productive enterprises located in countries whose own citizens may not consider the opportunities for such enterprises to be attractive. I am not going to repay your kindness in permitting me to speak by taking more of your time by reciting in detail the statement of principles which the N.A.M. considers to be prerequisite to the free flow of foreign investment capital. The N.A.M. will, of course, be glad to supply a copy of the statement to any who may desire it. These principles, naturally, relate to private capital investments, since the United States is essentially a private enterprise country, as are all the American nations. The N.A.M. believes, as I am sure that most of you do, that the primary responsibility for economic development and the conduct of industry and trade should rest upon private initiative, while Governmental efforts should

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be directed mainly towards creating conditions under which private enterprise can operate effectively. (I am not referring, of course, to the use of government funds for projects or improvements which have a broad social purpose involving the national welfare or security and which are not considered by investors to be appropriate for the investment of private funds).

It can be said of private capital, however, that in normal times it does not respect international boundaries, but will migrate anywhere that it can be employed safely and profitably; but it will flow only to nations that treat it fairly, and where a reasonable expectation exists for its profitable employment. The private investor of a capital exporting country must, for his own protection, hold to the position that its only legitimate reason for investing money abroad is his expectation of obtaining a reasonable profit in his own currency, just as the expectation that his investment will be a productive one is the only legitimate reason for a foreign country to welcome it. Mutual benefit, then, is the only proper basis for the movement of capital from one country to another. It is in the interest of the capital importing country to assure that fair and equitable treatment will be granted to foreign capital and to recognize its right to make a profit and remit it in the currency of the country of origin. Conversely, the capital exporting country should recognize that its best interest lie in minimizing any obstacles which may have resulted from its economic policies or from the actions of its citizens which may make it difficult for other nations to service and repay these foreign investments.

/In closing

In closing, I would like to express my appreciation on behalf of North American private investors for the friendly words of Sr. Alberto Baltra, the distinguished head of the Chilean Delegation, when he said at the opening session, (and I hope you will excuse my imperfect Spanish).

Deseamos, como ya se ha dicho, la cooperacion del capital privado extranjero, y creemos que a traves de convenios o acuerdos con los paises que se encuentran en situacion de exportarlo, podran removerse algunas de las dificultades que hasta ahora se han opuesto a su movimiento, interrumpido casi por **completo** desde la gran crisis economica.

Para este efecto, deberemos ofrecer a los inversionistas un trato analogo al que recibe el capital autoctono, y la garantia de la remesa de utilidades justas hacia el pais de origen. No bastaran, sin embargo, las leyes para inspirar la confianza que el capital busca, sino que la legislacion ha de reforzarse con practicas gubernativas que corresponden a las promesas hechas y cumplan efectivamente lo que la ley expreso en su texto.

I want to reciprocate with the sincere hope that the cooperation between Latin American countries and North American private investors desired by Sr. Baltra may be achieved and that conditions will be created which will encourage a new and vigorous flow of North American private capital to the countries of Latin America, resulting in the creation of new sources of wealth, new opportunities for profitable employment in your homelands and in mine and, most important, good will and a better understanding among our separate peoples.



