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PROPOSAL FOR AN ECONOMIC COMMISSION FOR LATIN AMERICA

In connection with Item 6* on the provisional agenda for the sixth session the representatives of Peru and Chile have requested the circulation of the following statement by the Foreign Minister of Peru, Sr. Enrique Garcia Sayan:

ENRIQUE GARCIA SAYAN, PERUVIAN FOREIGN MINISTER MAKES DECLARATION
CONCERNING THE MARSHALL PLAN AND ITS RELATION TO LATIN AMERICA

The President of the United States has sent the Congress on the 19th instant his promised message requesting authority to use the sum of \$17,800,000,000 in his program of European economic rehabilitation, or Marshall Plan, through the agency of the Economic Cooperation Administration. In this manner the United States has assumed direction of the greatest effort ever made for economic international planning, in order to promote the industrial and agricultural reconstruction of Europe and to revive world commerce.

The proposed new organ would have ample powers to spend between \$6,788,000,000 and \$8,100,000,000 principally in Latin America and Canada, it being calculated that Latin America and Canada could in addition help the 16 European nations participating in the plan, by supplying \$1,700,000,000 in the form of presents, credits or regular sales in the open market.

This simple enunciation suffices to reveal that the program of European economic rehabilitation is of great interest and creates many problems to the American nations.

Everyone is agreed that European rehabilitation is the most important and urgent problem facing the post-war world and that its successful solution will decide the maintenance of peace and of democratic institutions. The American nations being dependent in greater or lesser degree on European commerce, this rehabilitation is of the greatest importance. But we have seen at the same time that, while the use of funds for purchases in the American nations will put dollars in their hands, it is true that, on the other hand, the extension of export controls and the reintroduction of priorities for allocations by the United States for the export of essential foods, raw materials and manufactured articles, and the so-called instruments of production, might possibly affect

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* Refer to document E/607.

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considerably in the future the possibilities of industrial development in these countries.

Consequently the Inter-American Economic and Social Council of the Pan American Union, after hearing a declaration of Mr. Willard L. Thorp, Assistant Secretary of State for Economic Affairs on the 17th November last, decided to appoint a special committee to study the relation of the Marshall Plan to Latin America and to offer the United States Government any suggestions for the better participation of Latin America in the said plan.

The Peruvian Delegate to the said Inter-American Council received instructions to place before the Committee a few of his Government's viewpoints. In this circumstance and wishing to contribute in the best manner possible to the elucidation of the matter before the Inter-American Council, the Peruvian Foreign Office deems it desirable to develop and justify, as well as to restate, the aforementioned viewpoints.

We all know the antecedents of the European Recovery Program. Secretary Marshall announced on the 20th of May that a plan was being prepared to help the world to satisfy its economic needs and that this plan would cost the United States during 3 or 4 years about five thousand million dollars per year. Later, in his speech at Harvard University on the 5th of June, General Marshall made a formal declaration of the United States Government's intention to help European nations achieve complete economic recovery from the effects of the war. The Marshall proposal declared that the problem must be solved principally by the European nations themselves and that the latter should meet in order to study and prepare reconstruction plans, indicating the minimum amount of external help they considered necessary, so that the United States Government might examine the said program and support it as far as feasible. The help would be rendered in the form of outright gifts or credits.

Sixteen European nations immediately proceeded to constitute the Committee for European Economic Cooperation which met in Paris on the 12th of July, with the assistance of well-known experts. After much labor the Committee submitted on the 22nd of September a report of the United States Government in which they proposed a four-year reconstruction plan, and they estimated the external assistance required, which must proceed principally from the American Continent.

The Paris Committee's program implies, in order to satisfy European needs, that there shall be a certain restriction in the internal consumption of American production, while at the same time
/this production

this production was expanded to satisfy the needs of Europe. At no time, however, have the sixteen European nations taken into consideration the need to include in the proposed assistance or development plan other production regions of the world and especially those of Latin America. This in spite of paragraph 6 of the preamble to the Report which admits that the economic systems of the participants are linked and that the prosperity of each depends upon the prosperity of the others.

It is admitted in the Report of the Paris Committee that the best way to reach a sound economy is to make a concerted effort to increase the production of those goods at present available in insufficient quantities. But as at present there is not excess of raw materials for industry in any part of the world, it is obvious that any increase in European industrial production implies necessarily a greater production of raw materials which can only be obtained economically in Latin America.

The purpose of the European nations of obtaining sufficient aid to be placed in a position to reach in four years a volume of industrial production equal to their 1938 level, has not therefore great probability of success for the following, among other reasons:

(a) There are not at present raw materials or immediate sources of production of the same, for the accelerated economic recuperation which Europe seeks;

(b) Since 1938, taking this year as a comparative base date, many countries of the world, and especially those of Latin America, have considerably increased their industrial production, and it is not reasonable to expect the stoppage or reduction of their new industries to make room for a European production, which was established when Latin-American industrial capacity was much smaller;

(c) In view of the relative slowness in the delivery of mechanical equipment by the United States one cannot expect any increase in the commercial productive capacity of Europe before 3 or 4 years, which is the minimum necessary to receive, install and set in motion the enormous industrial plant requested;

(d) The purchasing power of the Latin-American nations does not seem liable to increase at the rate estimated in the Table 12 of the Report, wherein an increase of European exports is foreseen towards the American Continent (exclusive of the United States) of \$1,200,000,000 between 1948 and 1951 of the 4 years plan.

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An error has been committed in trying to solve the problem of European industrial reconstruction independently of an ignorance of the needs of Latin-American economy, which is only shown in the role of providing with their own present resources, the raw materials or products which Europe might need, and in the role of absorbing increasing quantities of the product of European industry as this is restored. One could say that sight has been lost of the facts that all Latin-American industrial programs would not only be seriously affected by the program of European recovery, as it is outlined, but owing to the delay in supplying its orders for equipment due to the inevitable congestion of European orders, which would have been destined in great part to compete in Latin-American markets, either with the products of new industries established in these countries or with the products of United States industry.

It is therefore necessary to find the formula for the effective recovery of European nations, essential to world equilibrium and peace, without destroying the expectations of industrial development in the Latin-American nations or impairing the welfare of their populations, and that recognition should be given to the part that our nations must play in the success of that program, within the concepts of necessary and inescapable economic inter-dependence.

In the opinion of the Peruvian Government such formula would be found if the Marshall plan included a vast program of European immigration on a large scale to Latin America which would embrace the promotion or creation in these lands of the conditions requisite to the fruitful welcome of this migratory current. The relief of population pressure which would be experienced by the overpopulated European nations would thereafter reduce, on the one hand, the amount of assistance and the quantity of resources they would need, thus facilitating the recovery program, while, on the other hand, Latin-American nations would be able to go forward with the production of raw materials required by the European program. They would likewise further their economic development and increase their purchasing power for the product of both European and United States industry, from which would result a greater expansion and better use of the world's manpower.

There are at least two European countries in which one can visualize no solution of their economic crisis without a considerable reduction in their population. In Italy, for instance, various surveys and estimates show that, unless Italy can recover her industrial position in the world, which is almost impossible for the reason already given, she will have
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an excess of from 10 to 15 million inhabitants, which cannot be maintained either by its agriculture or its industrial production. This population excess will mean necessarily a reduction in the standard of living in the whole of Italy, requiring eleemosynary assistance for an indefinite period.

The documents so far published regarding the application of the Marshall Plan, eliminate all mention of the historic role of the Americas as hosts to European immigrants. The solution of European economic problems has always required and still requires assistance of a double order, to wit, technological advance in European production and also relief of population pressure in those regions that are overpopulated in terms of their natural resources. Formerly the Americas were financed principally in their railway and agricultural development, thus preparing the ground to receive European emigrants of peasant origin. Today we are obligated to repeat the same effort, where there is still room and justification for it, promoting investment which in present circumstances would have to include the agricultural occupation of such immigrants, and also modern industrial occupation for which great numbers of needy Europeans show special aptitude.

No industrial reorganization of a remunerative kind can be foreseen at present with sufficient capacity to feed and support decently and permanently the excess of European population. It seems therefore logical to tackle the problem at its roots and to study as soon as possible, with a realistic approach, which regions of the world could receive a considerable portion of such excess of population and then proceed to the development of those regions dedicating to them part of the capital equipment and plant which had been contemplated for shipment to Europe.

We know that some European nations have been loath to loose an appreciable number of their inhabitants for reasons of sentiment no less than for obsolete strategic notions. But one must recognize that an overpopulated center, far from having strategic value, constitutes a vulnerable point easy to besiege through interruption of supplies. On the other hand, it is economically easier, in terms of real transport effort, to move men to where they can find or produce resources, than to bring the latter to the men. It is well known that several countries in Latin America possess abundant lands which, properly developed, could furnish homes, climatic amenities and food to several million immigrants and, thereafter products for the self same program of European recovery. One must also bear in mind that many regions, which a few years ago were inadequate to receive immigrants, are becoming useful and accessible through the constant progress in agricultural knowledge, through

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technological progress in industry and hydroelectric processes and through the enormous and unexpected development of new methods of aerial and land communications, which a few years ago would have been through utopian.

The Peruvian Government is outlining these ideas which considers congruent with the highly desirable purposes of European recovery by the Marshall Plan, believes that it is contributing to the solution of a problem on which depends peace among nations and the welfare of peoples, and makes this invitation to start without delay the survey of these ideas, for the execution of which we require the efforts of the Latin-American nations themselves, while deviating towards them a part of the technical and economic cooperations foreseen for the economic reconstruction of Europe.

Lima, 29th December 1947.
