

APF 25472  
**United Nations**

**Nations Unies**

**ECONOMIC  
AND  
SOCIAL COUNCIL**

**CONSEIL  
ECONOMIQUE  
ET SOCIAL**

UNRESTRICTED

E/CN.12/38

14 June 1948

ENGLISH

ORIGINAL: SPANISH

ECONOMIC COMMISSION FOR LATIN AMERICA

SPEECH DELIVERED BY THE HEAD OF THE DELEGATION OF MEXICO

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The statement of the Delegation of Mexico may be divided into two sections, as recommended by the Chairman of the First Session of the Economic Commission for Latin America:

1. A brief survey of the economic situation of the country, and
2. Some suggestions which our Delegation would like to make in conformity with paragraphs 1 and 2 of the Resolution of 25 February 1948 which establishes the attributions of the Commission.

1. BRIEF SURVEY OF THE ECONOMIC SITUATION OF THE COUNTRY

Upon accepting the invitation made to the Member Governments of the Economic Commission for Latin America for the purpose of presenting information concerning their present economic situation at the First Session of this Commission, the Delegation of Mexico submits a brief survey of the economic problems of Mexico, including not only those derived from her economic structure but also those resulting from the last war and from the maladjustment of world economy.

However, to understand these problems better, it would be advisable to refer briefly to some of the characteristics of the country.

As is well known, the terrain of Mexico is rolling and mountainous, a fact which makes the building of much needed roads difficult. The existing railway lines were mainly intended for exports, but they are also indispensable in linking communication between various important centers in isolated districts.

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Mexico's railway system is deficient, the majority of the rails and rolling-stock have deteriorated, due mainly, to the sustained war effort which was necessary to provide the military industries of the United States with considerable quantities of ore and raw materials.

To date, Mexico has built a system of highways which is far from being complete. It is therefore, urgent to intensify the construction of various roads which would supplement the railway system and which could be used for the transport of foodstuffs to important regions of the country.

Our need of a merchant marine is so great that the creation of a fleet which will satisfy at least the needs of our coastal trade and the main requirements of our foreign trade can no longer be deferred.

Mexico is subject to strong climatic contrasts, such as the great fluctuation in rainfall. In certain regions rainfall is very light; in others, very heavy. This is why the country has many waterfalls, but due to the fluctuation in their volume, in relation to their usefulness as sources of electric power, special works would have to be constructed to regulate their flow.

Only 12% of the territory has tillable land. The rest consists of grazing land, slopes, mountains, woods, and deserts which cannot be easily transformed for agricultural purposes. There are tracts with fertile soil, but we need an irrigation system in order to eliminate the deficiencies in the precipitation of rainfall. Moreover, costly drainage work has to be done to utilize important tracts of land which lend themselves to farming in tropical regions and almost inaccessible marshes.

The main crops are: maize, cotton, sugar cane, wheat, alfalfa, tomatoes, bananas, henequen, and coffee. The greater part of farming is still being done in a primitive way, and even though agriculture in Mexico has begun to adopt modern and efficient methods, using machinery and equipment, Mexico still has much more to do in this respect.

Manufacturing, mining, and petroleum are, in the order in which they appear, the most important factors in industrial production. Mexico /is one



is one of the best producers of precious metals, and also occupies an important place in the production of industrial metals, such as copper, lead, and zinc. Her production of copper, and iron, though low in comparison with that of the industrial countries, is high in relation to other Latin American countries.

The output of petroleum is sufficient to meet the needs of the country, which absorbs approximately four-fifths of the total production. The rest is exported. Despite the fact that production of manufactured goods is more important, and that the country has consistently improved her industrial development; during fifteen years, when her industrial output was increased 63%, greater effort is to be made, and large financial resources are needed to reach a degree of agricultural and industrial development for a substantial increase in the real income per capita among the vast masses of the population.

Heavy industry shows certain degree of development. However, it is in the light industry that more steady advances have been made. The main industries in process of transformation are: textiles, foodstuffs, foundry appliances, clothing and toilet articles, chemicals, printing and motion picture equipment. Power output has increased considerably in Mexico, but due to the increase in population, urbanization, industrial, agricultural, commercial and transportation improvements, it is still below the present needs.

In the economic structure of any country, three main categories of activities stand out: (1) primary or basic activities which comprise agriculture, forestry, cattle raising, hunting and fishing; (2) secondary activities such as mining, electric power, construction, and industries of transformation; and (3) third in order of degree, commerce, transport and communications, public services and administration.

In Mexico, primary activities absorb two-thirds of the total producing population; secondary activities, one-sixth; and those in third

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place, one-eighth; On the other hand, primary activities contribute only one-fifth to the public treasury, while secondary activities contribute one-third and those third in importance, less than one-half. This means that the per capita income of the population engaged in secondary or lesser activities, is approximately ten times as much as the income of the population engaged in primary activities; or perhaps there is a great inequality between the productive population engaged in agricultural work and that occupied in industrial activities and services in general. In other words, the greater part of the Mexican population, which depends on agriculture for its sustenance, lives at a sub-consumption level compared to the population engaged in secondary, and less important activities.

Because of these conditions, two things are necessary. In the first place, a national economic policy must be adopted to raise the standard of living of those engaged in agriculture, by increasing production through irrigation, drainage and construction of roads, as well as adequate application of techniques and capital. In the second place, it is advisable to transfer groups of people from primary activities to more productive ones. The consideration of the first point leads to an increase of the purchasing power of the population and it means a larger market for industrial products. The second point leads to industrial diversity by making use of all the possible natural resources of the country and by a convenient distribution of its population.

The problem of economic development takes us to the financial one. From what source can we procure the necessary funds to carry on this development? At first, it would seem that a country should limit its development in relation to its own possibilities. However, economic history shows that no country has ever developed economically by itself. Mexico can finance its economic development with the funds from her own resources - from her own savings - and with funds from money issued. However, to restrict ourselves to the first means would limit our development to the volume of national economy - which is comparatively small, while, to adopt the second,

/would bring



would bring well known, serious problems.

In accordance with her economic policy, Mexico believes, that before resorting to foreign help, the country should follow the lines traced by her own economic structure. In doing this, Mexico has been making full use of her savings and has also resorted to the creation of a compulsory economy. However, Mexico's justified aspirations are handicapped by a limited economic expansion and by a relatively small national savings fund.

Mexico was developing a policy of capitalization at the outbreak of the last war. To that date, Mexico had already finished building important irrigation systems, highways and railroads. The industrial output surpassed by 20% the output of 1929, through her use of savings and by means of a monetary expansion which increased prices approximately 25% between 1929 and 1939.

Before proceeding further, it must be stated that a great part of Mexico's productive activities are concerned with exports, the principal items being mineral products, such as lead, copper, zinc, precious metals and petroleum, also agricultural products like fruits, vegetables, chicle, henequen and coffee. On the other hand, her imports consist of capital goods, and heavy industry products. Before the war, about 75% of Mexico's foreign trade was carried on with the United States, and the rest mainly with the European countries. The war brought, as a consequence of the readjustment of the United States, an increase and control of prices and rationing and control of industrial products and raw materials, as well as a lack of means of transportation and other well known problems. The outbreak of the war was followed by the closing first of European markets, and later, the Asiatic ones, with all attendant consequences. Mexico largely cooperated with the democracies, particularly in the economic field by supplying the raw materials and minerals for the industries of the democratic nations, especially the United States. Mexico intensified with all possible means the production of strategic and critical materials in  
/order to



order to facilitate the production of equipment and armaments which finally led to the victory of the United Nations. In order to do this, Mexico had to mobilize her natural resources and her population. A part of this population abandoned Mexican fields for those of the United States. Mexico displayed great energy in transferring people from one activity to another and in contributing every effort and means to victory. For this reason, Mexico's industrial and railway equipment deteriorated considerably, since it was not possible first to acquire the machinery and equipment needed for her economic development, and afterward, for her contribution to the war effort, owing to the mobilization of the industrial countries supplying machinery for the production of war implements.

Mexico forwarded to the United States considerable quantities of industrial products, fuels, fibers, oil products, and many others.

Mexico's large exports, and other diverse factors arising from the war, contributed to a favourable balance of payments causing Mexico's reserve of foreign exchange and gold to increase because, as has been already pointed out, the country could not obtain from the supplying markets, the machinery and equipment needed for its economic development and for a more active participation in the war. Another sacrifice made by Mexico in contribution to the war effort, was her maintenance of her monetary reserve. Obtaining foreign currency in payment for her export products ultimately became a loan without interest, which Mexico like all other Latin American countries, sacrificed since it was not possible to obtain industrial equipment in return for the raw materials. Besides that, the fact of maintaining foreign exchange without spending it - the value of which was decreasing owing to increasing prices - is equivalent to saying that to the initial sacrifice of keeping foreign exchanges unemployed was added that of its diminished purchasing power, when the time came to cash them.

The positive settlement of Mexico's international balance provoked  
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a considerable increase of currency which notoriously affected the rising of internal prices. To this increase, other factors were added, which on the whole, originated, as one of the consequences of the war, a steady inflation. This was intensified by virtue of expenses, exclusively military, within the country, which were incumbent on the Mexican Government. The level of prices rose from 126 (1929-100) in 1938 to 302 in 1947.

As the end of the war was drawing to a close and especially after its termination, Mexico was able to obtain larger quantities of goods from abroad and its imports increased rather considerably, because in those years a demand had been accumulating which was felt in part, when the merchandise that was formerly lacking was later made available. This new situation affected Mexico's balance of payments. The favourable excess that had characterized it during almost all the entire war period, became negative, provoking in most countries, a decrease in the monetary reserve, because of the accumulation of gold and foreign exchanges which began to be spent precisely when the buying power of the dollar was also declining.

Mexico, which maintained a free exchange market and has not exercised control over the operation of foreign currency, has had of necessity to adopt a commercial policy restricting imports and transforming its specific customs tariffs into a mixed type of specific tariffs and ad-valorem. This was for the purpose of determining needed merchandises for the economic development of the country, due to an unbalanced equilibrium at home and abroad. In this way Mexico was able to cut the rapid fall in its reserve. However, in order to complete its economic development, large imports are necessary, mainly machinery and capital goods. Nevertheless, these imports are very limited because the available foreign exchange is not sufficient to meet the requirements despite the fact that the reserve is still greater than that required by the normal necessities of the country before the war.

Another important problem awaits solution. Foreign exchange is not  
/only needed



only needed to acquire machinery and equipments, but supplying countries must cover requests which are sometimes suppressed by obstacles preventing the supply of capital goods.

Some of the problems that we have examined here, may be approached, as far as Mexico is concerned, in two ways: (1) making total use of its internal financial resources, with funds from the foreign market to obtain the capital goods which in the end may be channelled into the country; and (2) increasing its exports.

The internal financial market is very limited, but shows signs of expansion. As we see it, Mexico needs financial resources in foreign markets. These will have, legally, the adequate guarantees and security that have precisely stimulated investments in Mexico during the last years.

As far as an increase of exports is concerned, Mexico, like the majority of the Latin American countries, must stimulate the production of various articles obtainable through credit for equipment, orders or optional quotas, guarantee prices, and certain securities, dependent upon a favourable market for a reasonable time.

The well balanced development and expansion of Mexico's commercial exchange will be facilitated, in relation to the spirit of economic cooperation and good neighbour policy exhibited and the translation into action of the juridical and economic relations, in the field of international commerce.

The economic progress of Mexico in the last 20 years is great, in comparison with the level reached in earlier years. However, if compared with countries of equal territory and population, this progress appears less significant. Mexico is willing to promote its economic development not for her own good but also, because this development is the only means of uniting and expanding the gains of the Mexican Revolution, whose aim is the assurance of a decent standard of living for Mexico's working classes upon the basis of liberty, dignity and social justice and contributing to the economic welfare, and the peace and security of the continent.

/The concepts



The concepts of the Delegates of France, Great Britain and the United States are significant in the sense that they consider that the industrial development of Latin America will not handicap the commercial interchange between those countries and Latin America, but on the contrary, will strengthen and expand it. For that reason, they wish to cooperate, sympathetically viewing our hopes for industrial acceleration and progress. It is hoped that these concepts will be made well known in the three above mentioned countries among the leading financial, industrial and commercial groups, as well as among those who direct the economic policy in those nations.

This historical moment is very similar to that of the early years of the nineteenth century, a time when the peoples of Latin America were fighting for their freedom. Then, they fought by the force of arms, a heroic fight for their political independence on the Mexican plateau, along the Andes and the high and low lands of the South. Today, our countries are fighting for the strengthening and the expansion of their economies in order to assert their complete economic independence, offering it in sincere and genuine cooperation for the fulfillment of the high goals of this Hemisphere, within the framework of the United Nations, for economic independence, not for economic war between our countries or with any other country, but for the sake of solidarity and friendly cooperation which will benefit all.

## II. SUGGESTIONS MADE BY THE MEXICAN DELEGATION.

In this first Session of the Economic Commission for Latin America, the Mexican Delegation would like to suggest the following:

1. To determine an adequate means of coordination, in order to avoid duplication of labour and expenses, of the activities of the Commission with those of the corresponding Inter-American bodies, and to proceed in this respect by planning programmes that contain clear, concrete and specific points.

2. To make an overall technical study of the structure, situation and economic problems of Latin America, by the Latin American Commission  
/in cooperation



in cooperation with the respective governments, by means of carefully selected experts acting according to clear and precise instructions, on a uniform basis. That this study of each and every one of the Latin American economies be summed up and interpreted by the experts, proceeding according to approved methods (a) by the United Nations determining at last, the measures to be adopted in accordance with paragraphs 1 and 2 of the Resolution of 25 February 1948, which establishes the attributes of the Commission; (b) by the governments of the Latin American states complementing their respective studies, and (c) by the respective Inter-American bodies, especially on the occasion of the next Economic Conference of Buenos Aires.

3. To promote, through joint commissions, or other suitable means, systematic cooperation between the Economic Commission for Latin America and the corresponding Inter-American bodies in order to stimulate the collection, evaluation and dissemination of timely economic, technical and statistical information.

4. To draw in this first Session a reasonable and practical program of research and studies about certain basic economic and technical problems, and regarding the economic development of Latin America (general structural problems derived from the war and the world's economic disequilibrium) .

To list the aims of the program according to an advantageous priority order.

5. To study and recommend in this first Session, by means of teams, or other convenient methods, certain short time operative measures in order to solve urgent economic problems derived from the war and from the world's economic maladjustment, and which are seriously handicapping the improvement of economic activities in Latin America to strengthen its economic relations with the other nations of the Continent and the rest of the world; and

6. To formulate, on the basis of actual findings and effective program, for the aforementioned purposes, so that the Latin American countries may profit from the services of the Specialized Agencies of the United Nations.