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AD HOC COMMITTEE ON PROPOSED ECONOMIC COMMISSION FOR LATIN AMERICA

STATEMENT BY MR. H. SANTA CRUZ, DELEGATE FOR CHILE

The newspapers of some of the Latin American countries have published reports concerning the meetings of this ad hoc Committee which show that there has been a serious misunderstanding with regard to certain views expressed and certain words spoken here.

First, I wish to refer to a story that incidents occurred at the Committee's last meeting, held last Thursday, and that I criticized the Pan-American Union and made objectionable allusions to its Governing Board.

As regards the alleged "incidents", it is obvious that they are purely imaginary. The outstanding feature of the meetings of all the United Nations bodies concerned with the proposed Economic Commission for Latin America, has been the high level on which the problem has been dealt with by all speakers and the essentially technical plane on which they have endeavoured to conduct the discussion.

As for the alleged objectionable remarks to which I have just referred, it seems evident to me that such a statement could only be based on a completely erroneous interpretation of what was said here. As regards the statements I made on the day in question, I wish to give a detailed explanation of their content and scope:

1. Not only did I not criticize the Pan-American Union, but I reaffirmed our spirit of collaboration with it and the desirability of co-ordinating our work and that of the proposed Commission, should it be created, with the Pan-American Union. This attitude has been consistently displayed by my Government and by its representative since the proposal was submitted to the Economic and Social Council.
2. I pointed out that although we desired such collaboration, we could not think of compelling the Pan-American Union to attend our meetings if, as appears from the message from Mr. Lleras Camargo and Mr. Daniels, they were unable to do so.
3. In view of certain statements by the United States representative, which I thought might cause some doubt, I explained my view that in accordance with the Committee's terms of reference, which were confirmed by events leading up to the adoption of the Council's resolution, we must finish our work even if we were unable to obtain the opinion of the

/Pan-American Union

Pan-American Union and of the Bogotá Conference in time. Moreover, I added that I no longer thought it so necessary to hear those opinions since it was during the Session of the Economic and Social Council that this had been considered advisable in view of the doubts of certain representatives as to whether the majority of the Latin-American countries were in favour of establishing the Economic Commission. Later, the twenty Latin-American countries had supported the proposal in written communications to the Secretary-General of the United Nations and in addition, the representatives of almost all these countries had expressed the same view during the general discussion of the Economic and Social Council's report in the Second Committee of the General Assembly. I said also that I did not think these Governments would hold, in respect of the same matter, one opinion in the Pan-American Union and another in the United Nations.

Since Ambassador Daniels said, in his message which was read here, that in his opinion the ad hoc Committee and the Inter-American Economic and Social Council were doing the same work and since one of the few arguments repeatedly advanced against the establishment of the Economic Commission has been that it might mean duplication of functions, I felt it necessary to state my belief that Mr. Daniels was under a misapprehension. For it appears from the Inter-American Council's records of 13 October, which I presented to the Chair - from the statements of those attending the meetings - that they are not fully informed of the scope and significance of the proposed Economic Commission for Latin-America. As regards my reference to Ambassador Belt's statements in the Economic and Social Council, at no time did I say that I shared that opinion. I also mentioned the newspaper reports that one of the basic projects which the Inter-American Council would study was that of economic aid to the amount of five billion dollars from the United States for the purpose of industrializing the Latin-American countries. I pointed out that the purpose of the proposed Commission was of much wider scope, since it was to make a thorough study of the great economic problems of Latin-America and their possible solutions and of the possibility of integrating their economic systems with one another and with that of the rest of the world. I said that consequently I did not think there could be any duplication of work or any possible interference between the two bodies. This would be clear to the Inter-American Council when it was fully informed of the purposes and possible structure of the proposed Commission.

I believe, Mr. Chairman, that I expressed all these views on that occasion without such lack of taste as to make objectionable personal references to any representatives of the Pan-American Union, for whom I have the greatest respect, or to the Pan-American Union itself, of which my country is a member and in whose work she has full confidence.



The other press report to which I wish to refer concerns an item contained in the list of factors unfavourably affecting the economy of the Latin-American countries, which the representatives of Cuba, Peru, Venezuela and Chile submitted to this Committee. It is the item indicating as one of those factors, the fact that some of the principle mining, industrial, agricultural and transportation concerns of the Latin-American countries are under foreign ownership and control, which results in a considerable flow of profits overseas. This has been fancifully interpreted and exaggerated in a sensational manner.

In clarifying our views on this matter, I take the opportunity to reply to the remark made by the United States representative some days ago, to the effect that he thought there was a contradiction between this item and another in the same document, stating that the Latin-American countries need foreign capital for their development.

I must first point out that it never occurred to us not to recognize what our countries owe to foreign capital. It is a fact that the countries which are less developed economically have always had to import capital for their development. The great mining operations in Chile, Bolivia and Peru, for which great investments were required, would not have been possible without the aid of foreign capital.

I may even say that my Government looks with favour on foreign capital that contributes to the exploitation of sources of wealth untapped for lack of capital and has enacted special legislation allowing foreign investors to withdraw profits and exempting them from certain exchange control restrictions.

I also wish to state that at least as far as Chile is concerned, the living conditions of the workers in foreign-owned undertakings are generally not inferior to those in similar domestic concerns and are sometimes even superior.

Nevertheless, it is impossible to ignore the fact that, on the other hand, the investment of foreign capital has constituted a problem for Latin-America and is an economic fact which it has been necessary to emphasize each time an economist or sociologist has dealt with socio-economic matters in this part of the American continent. These investments have had serious effects upon the balance of payments of the various countries. I think it is enough to cite as an example that in many cases one-third of the value of the output obtained through foreign capital leaves the country. Furthermore, the majority of the concerns controlled by foreign capital have not undergone the natural industrial development usually observed in the exploitation of raw materials; nor has even the simplest conversion of raw materials into vitally needed manufactured goods been usual.

/Accordingly,

Accordingly, I feel it necessary to remark that even though we believe, as a general rule, that in the case of Latin-America the import of capital is something useful and desirable for our economies it is necessary to consider the conditions under which foreign capital will operate in each particular case. In short, the problem is to find a solution that gives the foreign investors the necessary security and at the same time guarantees to each country that these investments will benefit its general economy.

This problem of foreign investments and the necessity of solving it, has been recognized by various organs of the United Nations. Thus, the terms of reference laid down by the Economic and Employment Commission for its Sub-Commission on Economic Development and approved by the Economic and Social Council in Resolution No. 26 of 28 March 1947, include the following words:

"(3) To commence a study, in co-operation with the other Commissions of the United Nations and the Specialized Agencies concerned, with a view to making recommendations regarding the need for an international code relating to foreign investment which will cover among other things the protection of economic and social interests of the countries in which investments are to be made, as well as the protection of investors, both public and private; and conduct studies into the need for and methods of international incorporation of private business firms conducting business operations on an international or a world scale...."

This very matter was given special consideration at the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment which met at Geneva this year, and Articles 11 and 12 of the Draft Charter of the International Trade Organization deals specifically with this same problem.

Delegates will find the sources to which I have referred in document E/CN.1/Sub.3/4 of 14 November 1947, issued by the Secretariat and entitled "Memorandum on Study of Conditions Affecting Foreign Investment."