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SPEECH OF THE REPRESENTATIVE OF PARAGUAY
DR. NATALIO PANGRAZIO CIANCIO

Paraguay's political and economic history has been a fierce and constant struggle against adversity. In the distant days of the early colonial era the Revolution of the Commoners, which raised the first cry of liberty in America, and then in the epoch of Independence, the War of the Triple Alliance and the Chaco War with the now sister nation, Bolivia, were international political events which did a great deal to weaken our formerly sound economy.

The period preceding the War of 1865 - 1870 was one of the most brilliant in my country's political and economic life, thanks to wise and prudent public administration, disciplined labour, austere national customs, efficient State control, abundant agriculture and stock-breeding and the steel-smelting and steel-working industries which enabled the guns of the resistance to be manufactured on Paraguayan soil. As a result Paraguay succeeded in becoming one of the first American powers of the day.

The war with the three sister countries, Argentina, Brazil and Uruguay, left a legacy of disaster; all that remained of a formerly efficient and disciplined people was ruination, hunger, isolation, slavery and, what was still graver, a lack of the manpower needed to begin national reconstruction. The country was left depopulated; men of productive age and fit for agriculture and cattle breeding had fallen in desperate defence of their heritage.

With the return to peace, and despite all obstacles, there was a gradual recovery; the survivors of the struggle, especially the women, devoted themselves to tilling the land and breeding cattle; the country began to exploit its forest wealth; small-scale capital began to accumulate, and thus, step by step, Paraguay painfully recovered some measure of economic stability.

As time passed, some foreign capital was invested in our country

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for commercial or industrial projects. On the banks of the upper Paraguay the tannin industry rose, like a cry of hope; mills were established and textile, peanut oil, soap and other factories, giving my country a new character and good hope of final economic restoration.

The Chaco War destroyed our hopes and efforts; its tragic outcome bankrupted our economy and caused the loss of thousands of young citizens fit for productive work. Thus Paraguay was confronted with the old, terrible problem and further sacrifice; a new test of fire was required to raise the country from its prostration.

It is these facts and events, in all their destructive intensity, that have impeded the reconstruction of our economy.

I have called your attention, Mr. Chairman and fellow Representatives, to these generalities, which are incidental to our specific tasks, because I strongly desire all the distinguished Representatives here present to be as fully as possible acquainted with Paraguay's problems and their direct and indirect causes; for I am convinced that, as the Representative of Colombia has said, we have come to this Commission for the commendable and sincere purpose of learning the misfortunes and difficulties besetting the nations of Latin America, with the highest intentions and resolved to seek immediate, just and equitable solutions.

At the purely domestic level, and looking at these questions from the standpoint of economic and financial science, it must be admitted in all sincerity, however painful the admission, that during the liberal governments from 1904 to the time of the war with Bolivia, Paraguay, if I may say so, ceased to live, or, if you wish, lived on by inertia, since the governments, engaged in irreconcilable party quarrels, totally neglected the directing and executive role of the State, leaving private enterprise to make the main contribution to the process of economic readjustment.

The breakdown of civilian government - an inevitable sequel of the war - and political instability, the most salient features of modern Paraguay, have appreciably retarded progress. Fortunately we are now making energetic and decided progress toward institutional normality, under the protection of a democracy based on the parliamentary system. That fact gives us the certainty that a period of peace and great achievements will be inaugurated under the new Presidency of the Candidate-Elect, Mr. J. Natalicio González, who will take office on 15 August 1948 with the loyal and efficient collaboration of the Partido Colorado which is essentially a party of the people.

Paraguay is a country of the future, for her broad and fertile lands, well suited for agriculture, her wealth of water power, forests, minerals, and cattle, and the green meadows and plains which create her cattle-breeding riches, provide in abundance the raw materials which impatiently await the hand of man and the direction of the State, which will lead Paraguay on to her great destiny.

A new country, sparsely populated and as yet little exploited, Paraguay stands before a vast horizon of economic potentialities. Even apart from its subsoil, on which there are only incomplete data at present owing to lack of systematic study, Paraguay can be included without false exaggeration among the countries best endowed by nature to become a mighty storehouse of economic production.

As an inland country, our geographic location is a serious obstacle to our development. We breathe through a single lung, our sister nation Argentina, and have only two outlets to the Atlantic, by sea and railway, again through Argentina. This forced isolation has weakened action designed to increase trade with the other nations of the world.

Our economy, like that of many other Latin American nations, is colonial. Agriculture and cattle-breeding are the two most important items of production. Strictly speaking Paraguay has not yet entered into her industrial age; but she has some agricultural, cattle-breeding, timber, extractive, domestic and other industries which serve to strengthen the purely colonial economy. The agricultural industries include the manufacture of alcohol. Paraguayan land is particularly well-suited for sugar cane production, and there is therefore a highly-developed cane brandy and pure alcohol industry. Occasionally, though rarely, there is insufficient local production of the raw material for brandy manufacture, and then the sugar mills import molasses from neighbouring countries to maintain the level of production.

As early as 1927 there were 155 factories in operation, producing 2,782,434 litres of cane, 281,525 litres of redistilled alcohol, and 54,447 litres of denatured alcohol.

The sugar industry has made considerable progress. Before 1914 there were not more than three mills in operation, and their production did not cover even one-third of national consumption. The country was therefore dependent on foreign sugar production. According to statistics, current sugar production fluctuates between 4,561,442 and 6,289,324 kilogrammes per year.

Paraguay now produces 12,000 tons of rice, which meets domestic requirements. At the last World Rice Conference, held in the Philippines,

/the delegation

the delegation of my country presented a ten-year production programme, divided into two five-year periods. The first five years will be devoted to intensifying rice-cultivation over 75,000 hectares; and an effort will be made to achieve an exportable surplus of 200,000 to 300,000 tons by the tenth year. If this plan is to be realized it is essential that the request for credit made by the Paraguayan delegation at the Philippines Conference be granted.

Our tobacco factories, which produce cigars and cigarettes, enjoy a merited reputation; after Havana cigars, ours are the best smoked on the Rio de la Plata littoral, where, moreover, they do a profitable trade as Havanas. Only lack of capital prevents Paraguay from becoming one of the greatest tobacco manufacturing centres in South America.

For your information, and in order not to tire the Chairman and Representatives, I shall list only a few more of our industries: canned meat, tannery, and tannin, Paraguay's most flourishing and vigorous industries which find their markets in Argentina and the United States of America; the manufacture of orange-leaf oil, which is extracted from the leaves of the sour orange tree and is used to make perfumes; spinning mills and the famous mandutí lace, etc.

As for international trade, the most recent statistics provide the following data:

IMPORTS. In 1945, these amounted to 54,660,000 guaranies.

EXPORTS. These amounted to 68,933,053 guaranies for the same year.

In 1946, imports amounted to 66,400,000 guaranies and exports to 82,700,000 guaranies.

In 1947 imports reached a total of 68,100,000 and exports 65,700,000.

One of the many deplorable consequences of the recent civil war, organized and financed by international Communism, was to restrict our exports enormously, as is shown by the foregoing statistics; since the total of 82,700,000 guaranies for the year 1946 fell to only 65,700,000 in the year 1947.

In the following more detailed study of the ills affecting our economic development, I shall refer only to the more serious among them, which logically require more urgent solutions:

LACK OR SHORTAGE OF CAPITAL: This is an acute problem, which must somehow be solved, since the new countries of Latin America will never succeed in becoming economic powers of even moderate strength without the assistance of foreign capital. To this end, my country opens her doors wide and hopes that in the near future foreign capital will establish itself in the traditionally hospitable land of the Guaraní.

/ Paraguay, like other

Paraguay, like other American nations, gives guarantees to foreign capital. It must be noted that in spite of the vicissitudes of the past there is not a single case in which a contract, concession or obligation contracted by the Government has been violated or left unfulfilled. In the year 1939 private foreign investments were calculated at some 150,000,000 gold dollars, divided as follows: 30 per cent Argentine capital, 25 per cent British, 20 per cent United States, 15 per cent German and 10 per cent distributed among various nationalities. The mere fact of the existence of such great enterprisos as the Ferrocarril Central del Paraguay, the Compañía De Navegación Dodero S.A., Liebig's, Internacional Products, the Compañías de Puerto Casado, Puerto Sastre y Guaraní, Algodones S.A., Fabril S.A., Coindú, Bunge y Born, Textilía y Molinos Harineros, gives some indication of the interest which large foreign capital has taken in our country and of the profitable return it anticipates. The establishment of branches of the Banco de la Nacion Argentina, the Banco de Brasil and the Banco de Seguros de Uruguay shows the importance which the capital market ascribes to Paraguay.

UNDER-POPULATION: This is another of our misfortunes. Under-population is fatal to economy. Not in vain did a famous Argentinian say: "To govern is to populate". While my country's population continues to be small and scattered throughout her vast territory, she will be unable to boast a highly developed agriculture and a richly endowed commerce, let alone a great industry. According to the most recent statistics, the average density of population over the whole territory amounts to the insignificant figure of 3.6 inhabitants per square kilometre. This places our country second to last in the list of American countries.

As regards immigration, we may say that European immigration to Paraguay has had an enormous influence. The Paraguayan farmer and labourer are intelligent and adaptable, but they lack the impulse toward a better standard of living; they lack any inducement to increase their efforts and awaken them from their lethargic dreams. That is not a permanent characteristic, but has been impressed upon them during almost a century of misfortune. The foreign element which is arriving in the country, eager for action, full of energy and enterprise, inspires them; they model themselves upon the immigrants and finally acquire the same driving force, the same ambition to obtain for themselves and their families better living conditions than they have ever known before. Immigration exerts a wholesome influence not only in technical and economic fields, but also in the cultural, social and even political spheres.

/In the past

In the past and at the beginning of the present century, most immigrants settled in the countries of the littoral, such as Argentina, Uruguay and Brazil, and only a limited number reached Paraguay. The reason is that my country is hidden inland - we like to call it the heart of America - and men covetous of gain continued to settle on the shores of the Atlantic, especially on the Río de la Plata. From 1905 to 1942, according to statistics, 36,543 immigrants arrived in Paraguay.

My Government's concern with this problem, which is as urgent as it is important, is reflected in the studies and plans drawn up in the Office of the Technical Assessor of the Economic Investigation Department of the Ministry of Agriculture, which office, assisted by the Inter-American Service for Agricultural Co-operation, has submitted a draft plan of agricultural immigration.

LACK OF MACHINERY, AGRICULTURAL EQUIPMENT AND ACCESSORIES: Paraguay urgently needs to renovate her production machinery, agricultural implements and accessories, the deterioration of which may shortly bring about a consequent fall in our index of production. A partial paralysis of production would immensely aggravate our situation. Nevertheless, we understand that owing to the recent war world markets have not been able to meet demand and that the problem is consequently of a general nature.

We need to buy machinery and spare parts from the producers with a view to increasing our nascent textile, spinning, oil and other industries. The Government has made plans to set up, within the next three years, cement, paper, fruit and tapioca industries, and to establish a steel foundry.

The fact that we have not yet entered upon our INDUSTRIAL PERIOD hampers our economic development. The nations of Latin America must become industrialized, because their economic progress, based on industrialization, will strengthen world economy. The Delegation of Paraguay is fully in agreement with the idea expressed by the distinguished Representative of France when, in the course of his brilliant address, he said that: "The industrialization of Latin America in no way threatens the economy of the industrially developed countries". That indisputable truth is supported by the fact that new markets mean an increase of world trade.

SHORTAGE OF ROADS AND COMMUNICATIONS: Comparative statistics for 1943 show that Paraguay was furthest behind in the development of roads and communications. In view of her geographical location as an inland country, the problem of her communications may be studied from two points

of view: domestic and foreign routes.

Statistics show a railway system covering 1,272 kilometres, of which only 527 kilometres are public, the remainder belonging to private or industrial railroads.

Genuine planning of road works began with the creation of the Ministry of Public Works and Communications in November 1940. For the first time in history the country has asphalt and macadam roads; wooden bridges are being replaced by bridges of reinforced concrete. 1942 saw the completion of a stretch of road of 172 kilometres, or, with its branches, a total of 250 kilometres. Work is being completed on the modern highway which will connect the Capital with Encarnación, across the frontier from Posadas - a road 370 kilometres in length crossing the whole expanse of the Misiones. Other land communications under construction total approximately 500 kilometres; added to the 200 kilometres in the Chaco these make a not very creditable total of 81,600 kilometres at the present time.

The problem of foreign transportation is alarming, since the freight rates charged by the shipping companies on which we are unavoidably dependent, which they raise at will, prejudice our national economy. Great efforts are being made by the Government to create a merchant marine. Subsidies are granted for the construction of boats in national shipyards; a Law of National Coastal Shipping, granting advantages to the Paraguayan merchant marine, has been passed; but it has proved impossible to constitute a fleet with national capital or to attract foreign capital for that purpose. In October 1924 the "National Paraguayan Transport" was created on paper; the State was to contribute 50% of its capital; the remainder being raised by public subscription. In spite of the fact that a tax of 2 1/2 gold centavos was placed on the export of ginned cotton, the endeavour failed. On 27 June 1945 the first independent river company, called the Merchant Fleet of the State, was formed; it had a capital of 20 million guaranies; and for the first time since the period after Carlos Antonio Lopez a ship of our merchant marine, the "Mariscal Estigarribia", re-opened trade between the ports of the Rio de la Plata and Asunción.

MONETARY INSTABILITY: Monetary chaos, increased by the numerous new economic problems caused by World War II, which suddenly closed normal export markets, continued until the month of February 1941, when devaluation reached its maximum point of 9.250%. An Exchange Control Department under the supervision of the Bank of the Republic of Paraguay was established for the purpose of regulating the external value of

/ Paraguayan currency

Paraguayan currency in accordance with its real purchasing power, and of protecting it from the purely speculative factors which had attained an inordinate and artificial increase. The measures taken were no less drastic than those which had been taken previously in all countries: the Bank of the Republic of Paraguay was granted a monopoly for the purchase and sale of currencies; any funds and credits in foreign currency existing in the country were blocked; imports were controlled by means of permits and quotas, and exporters compelled to place currencies from their sales abroad at the disposal of the Comptroller of Exchange. At the same time the Paraguayan peso, which had almost completely lost its purchasing power during the past few years, since even local goods had been quoted in Argentine currency, was reinstated as legal tender.

The measures taken in the economic field resulted in a reduction of imports amounting to 18.1%, in comparison with 1940, and an increase of exports amounting to 32.9%. The profits obtained by the Comptroller of Exchange mentioned above in the first year totalled 154 million paper pesos, to the exclusive benefit of the State. They were distributed as follows: 37% for the service of the secured domestic debt; 20% for the amortization of the balance of the war debt; 13% for public works; 13% for development of agriculture and cattle-breeding; 10% for the General Treasury of the State; and 7% for the amortization of the sum of 100 million advanced to the Agricultural Bank to increase its capital.

Exchange rates of foreign currency were established at \$77 for the Argentine paper peso; \$1,320 for the pound sterling; \$333 for the U.S. dollar, and \$16 for the milreis.

On 8 September 1944 the new Bank of Paraguay was established and its charter published. The Bank is a self-governing entity, with independence fully guaranteed by the State in the interests of efficient operation. It has three independent Departments: the Monetary Department, the Banking Department and the Mortgage and Savings Department. Its initial capital of 6 million guaranies is distributed among the three Departments as follows: 1,000,000 guaranies to the Monetary Department, 3,000,000 to the Banking Department and 2,000,000 to the Mortgage and Savings Department.

At the end of 1945 the monetary stabilization fund had deposited with the Bank 31,800,000 guaranies (3,300,000 in gold; 23,600,000 in exchange and 4,900,000 in foreign securities), with a total circulation of 45,600,000 guaranies, of which 27,100,000 were in notes and 18,500,000 in deposits. The initial capital of 6,000,000 guaranies increased in a

period of one year to 8,200,000 guaranies, including reserves. The present capital and reserves of the first banking institution of the country amount to 13,000,000 guaranies, and the stabilization fund, gold reserve and international exchange amount to an equivalent of 35,600,000 guaranies.

Mr. Chairman and fellow Representatives; some of the economic problems of Paraguay, as you can see, demand purely domestic and governmental solutions, while others require the co-operation of the specialized agencies of the United Nations and the understanding and good will of our sister nations.

The Delegation of Paraguay sincerely believes that as long as poverty, chronic starvation, lack of social welfare, and other serious evils continue to disturb the life of any nation in America, it will be difficult to make Bolivar's dream a reality; for Pan Americanism, with its essentially humanitarian doctrine, is one and indivisible. We must bear in mind, moreover, the fact that in our century political doctrine is permeated with and strongly influenced by economic doctrine. Any self-sufficiency of some nations and helplessness of others will disturb the balance, and this state of affairs will create an atmosphere of uneasiness and lack of confidence, a climate unfavourable for the furtherance of American brotherhood.

Paraguay has faith in the future; she has faith in the honest labour of the American Governments, and takes pleasure in expressing her confidence in the technical agencies of the United Nations, whose noble mission will bear fruit, and soon bring American nations days of lasting good fortune.

I thank you.



