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ECONOMIC COMMISSION FOR LATIN AMERICA

SPEECH DELIVERED BY THE HEAD OF THE DELEGATION OF VENEZUELA

DR. CARLOS A. D'ASCOLI

Mr. Chairman:

The Delegation of Venezuela takes this opportunity to express its sincere and friendly gratitude to the Chilean Government and the Chilean people for the hospitality and warm welcome which was offered us as well as for the preponderant and decisive part which the Chilean Delegation played in bringing into being the fruitful idea of an Economic Commission for Latin America.

From the outset, Venezuela supported this initiative, and continued to maintain firmly the same attitude towards this proposal because we consider the Economic Commission for Latin America likely to be one of the most efficient means for our economic progress. Our objective must be to enable it to develop its possibilities to carry out studies and investigations bearing on our economic life, in the coordination of our economies with those in other regions of the world, and in the assistance to our productive capacity.

To attain this goal it is only necessary to endow our Commission with appropriate functional means, which will enable it to perform its task, and to secure from the United Nations, from the Specialized Agencies and above all, from its member governments, all the help and cooperation which it deserves.

The distinguished speakers who have taken the floor before me have stressed the various aspects of the work the Economic Commission for Latin America may accomplish, and my Delegation agrees substantially with their statements in this respect.

We found it useful to recall, at the end of this statement, some of the main objectives of this Commission, but, owing to the  
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importance which we attach to it, we deem it necessary to single out immediately the mission which we consider to be the Commission's own and its essence - we think that the fundamental objective of this Commission must be the economic integration of Latin America, the expansion of the channels of trade, the mutual cooperation for the settlement of the various economic difficulties which hamper the recovery of our economies, the gradual elimination of the trammels, barriers and all sorts of obstacles which prevent the establishment of a joint Latin American economy, similar to the one which is already taking shape between the United States of America and Canada, or similar to the one which is, at present, in the process of constitution in Europe through positive steps which the Western and Central-European nations are taking towards the integration of their economies.

Venezuela is, because of its origin and tradition, from which it has never departed throughout its history, endowed with the impulse to move along any path or over any terrain in order to return to its original conception of union which was conceived by the "Liberator", under whose guiding inspiration our Chairman opened our deliberations. But these sentimental memories must not allow our aspiration to pursue a shadow which cannot be caught nor materialize.

Throughout this region of the world, which is our home and is known as Latin America, there is a substantial identity of problems, wherefrom rises the need for a close cooperation to solve them and, there is also a variety of productions which make it possible to expand, to the benefit of all, the volume of the exchanges within this region.

On the other hand, no one must fear that this increase of the regional trade in Latin America, should be made at the expense of positions which are held today or of advantages which other regions of the world may possibly hope for. It should be based on and coordinated with a substantial increase in the capacity of production of the masses, thus enabling us to expand our commercial relations within Latin America itself and outside  
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our Continent.

It would be a mistake to think that the regional economic integration of the Latin American countries would prejudice the interests of countries which are outside our regional limits. The proof lies in the fact that today, the United States of America, a nation so noble in its aspirations, so practical in its intentions, does not consider as a threat to its interests the economic integration of Western Europe, on the contrary, she is in full sympathy with this aim and does her best to encourage it.

Furthermore, in accordance with the statements of the great industrial countries, repeated here through their representatives, we must not doubt that they are not opposed to our industrialization because they know that, in the long run, they will benefit from the increase in the purchasing power of our peoples, and also because they consider that a Latin American economy, strengthened by the interplay of large internal trade channels, would give a great impulse to world trade, to the greater profit of all countries.

It would not be appropriate, at this time, to draw up a precise plan or project regarding the integration of the Latin American economy to which we are referring. Obviously, this objective will only be reached by steps and, in this respect, the concrete efforts which are now in progress between various countries of the Far South are highly encouraging, for they are in accord with this final purpose, and positive steps have been taken on the road towards the establishment of closer and wider economic relations between themselves. We can also notice the same spirit in the measures which have been adopted in the same way in the north of South America by those countries which constituted Bolivar's Gran Colombia, and which have created and are now developing a joint merchant marine. They met in Quito to establish a list of the problems the solution of which would lead to a larger development and a better unification of

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their mutual exchanges. But the countries which form the old Central American Federation have still more concrete aspirations in this respect, and for all the Latin American Delegations present at the Havana Conference, it must have been quite as pleasing as it was for ours, to hear categorical statements from the representative of the United States of America when he expressed his sympathy with this unifying purpose of the Central American Republics.

Our analysis of this point would not be complete if we did not mention the part which, for the benefit of Latin American economy as a whole, certain countries such as Brazil and Peru have played and which constitute an intermediate zone of diversified climatic production between tropical Latin America in the North and the more temperate Latin America of the South. It is equally important to mention that, owing to their geographical situation which has resulted in an active commercial interchange with the United States, Mexico and the Antilles will constitute an important bond which will strengthen and benefit the continent as a whole in our economic relations with the United States.

Besides pointing out from the very beginning that these aims of the Commission were of capital importance, our Delegation also wishes to emphasize that, for the success of this Conference, as well as for the success of the ultimate aims of the Commission - which is the stability of our economies - it is urgent that the participants in this Conference, particularly those of Latin America, show mutual comprehension regarding problems and difficulties. It is our impression that failure will follow any tentative effort to use the Economic Commission as a means to register the needs in terms whereby each country may intend to prove to have priority over the rest. Only through close, disinterested cooperation and steadfastness on the part of the representatives here present, and the United Nations, success will be attained. We refer particularly to the United States whose people and Government, as declared in this Conference

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by its Representative, has always been interested in the welfare and development of Latin America.

We therefore think that the Economic Commission for Latin America must give its attention to all the problems and situations so that, in considering the urgent needs of those economies that lack means for payments, it may also consider those which try to find equipment and technical help to diversify and increase their production. This must be done soon, before the only source for a substantial foreign currency reserve is either exhausted or displaced by another product, breaking in this manner the economic equilibrium and vitally compromising the possibilities of its adjustment.

We need not be too explicit in this respect, because we are in a country which had to face a similar crisis when synthetic nitrate was produced, which was the cause and still is, of many sacrifices and difficulties for Chile; but they found a solution with that traditional courage of this great country.

We do not intend to deal in detail with the present economic situation of Venezuela. In the course of this Session, and in the future, while the Economic Commission for Latin America performs its task, we shall present our problems and our needs as a complement to the common problem, and to the common need for a lasting economic adjustment and satisfactory standards of living for our peoples. However, we have just implied, when referring to monoproduction and its dangers, the central problem of our economy, which is receiving greater attention on the part of our Government.

The importance of petroleum as a source of foreign exchange reserve is demonstrated by the fact that in 1947, out of a total of foreign exchange equivalent to \$465,040,000 purchased by the Central Bank, \$442,480,00, that is 95.15% came from petroleum enterprises. Coffee contributed only \$9,160,000, or 1.97%; cacao \$8,920,000, or 1.92%, and /other exports

other exports amounted to \$4,480,000, or 4.48%. On the other hand, according to studies which took into account, not only foreign exchange derived from petroleum exports, and of other native products, and the assets for our balance of payments, show that the contribution of foreign exchange made by petroleum enterprises constitutes more than 80% of our means for external payments (1).

Predominance of petroleum in our production, together with the high cost of its production and the consequent rise in prices in the country, have caused a decline in farming and in cattle industries. About thirty years ago these were important items in the economic structure of the country.

Despite the assistance from the State, through direct or indirect bounties for exports, total coffee exports - which in 1913, four years before petroleum began to be exported, reached Ks. 64,417,000 - in 1937 were only Ks. 41,639,000, and today those export figures are unchanged. According to recent estimates an exportable balance of 690,000 bags of 60Ks. is expected (i.e. Ks. 41,400,000) after covering the needs of internal consumption, which amounts to some 200,000 bags (Ks. 12,000,000). Cacao exports have, since 1913, remained at an average of Ks. 17,000,000. Despite the steady rise in the price of this product a marked decrease in its production began even as late as 1944.

Such a state of affairs also affects the production for internal consumption. The reason for this is, that in order to derive external purchasing power from petroleum revenues, Venezuela is forced, as an equitable solution, to keep the bolívar at a high rate of exchange. As we have already seen, this determines the cost of internal production and is an insurmountable obstacle for agricultural exports. By the same token - we insist - production for internal consumption has been equally affected. Venezuela is perhaps, after the United States and Argentina,

(1) "Present Economic Situation in Venezuela" by José Antonio Mayobre. Revue d'Economie Politique, Paris, October-December 1946.

country in America best endowed with long stretches of plains suitable for cattle raising. But it is rather odd that, due to reasons already stated, from exporters of cattle to Colombia and the Antilles, we have become importers of live cattle and beef. It is estimated that the total of 71,242 tons of beef we produce should be raised to some 90,540 to cover the normal consumption of the population, and to some 186,400 to provide them with a highly satisfactory diet. As to other products for internal consumption, we may say briefly that we are importing 8,000 tons of rice, which we could produce ourselves, to cover the present consumption of some 20,000 tons, which should be raised to 30,000 in order to provide a normal diet to the population. Maize - a genuine tropical product - is also a deficit item which we are importing in considerable quantities. This is due not only to deficiency in production which cannot be easily estimated, but also to difficulties in soil conservation and transport which we are endeavouring to solve. Finally, referring to another typically tropical product - sugar cane, we import it at a rate of 35,000 tons per year because we do not produce more than 30,000. It is estimated that 71,500 tons should be required to satisfy adequately internal consumption, and 90,000 to satisfy a normal and completely satisfactory internal consumption.

While some sources of production have declined, or have proved insufficient to meet the demands of consumption by a growing population and by larger incomes derived from petroleum, the increase of those incomes in terms of foreign exchange derived from operating enterprises is as follows:

In 1940, when our economy had already acquired its present monoproduktive characteristics, the contribution made by petroleum in foreign exchange averaged \$67,000,000 of \$75,000,000 purchased by the Central Bank. Due to a considerable increase in the production of petroleum, and to the amendment of relevant laws in 1943, foreign exchange contributed by petroleum went up to \$122,458,000, and in 1945 to about \$208,000,000.

₡208,000,000. In 1946 it reached ₡300,000,000, and almost ₡442,500,000 in 1947 as a consequence of the recent stepping up of production and the higher price of petroleum, and the increased tax rates.

Such an increase in the foreign exchange contributed by petroleum gave rise to three economic phenomena which are closely connected with it:

(1) A considerable increase of money in circulation, the total amount of which does not depend on the needs of factors which affect national economy, but rather on the production of petroleum. In fact, the creation of internal means of payment, particularly the issue of paper currency by the Central Bank is substantially determined by the need that petroleum companies have for national currency to pay their expenditures and taxes, according to the volume of operations. In 1938 the sum of money in circulation was Bs. 336,000,000. In December 1947, it had reached to more than ₡1,296,000,000.

(2) Rise in price levels as a natural consequence. These price levels were about the highest in the world ten years ago. We have mentioned the reasons for this and we know what the affects were at that time; but in the last ten years, higher price levels have been reached. According to statistics from the Central Bank, an index of 100 for 1938 corresponds to an index of 165.87 for December 1947. It should be observed also that if the increase of money in circulation has not caused a much greater rise in prices, it is because increase of imports tends to stabilize the monetary equation, and because of the part played by price control.

(3) A very substantial increase in imports, which we have already pointed out. This factor, when measured in terms of value, is influenced by the rise in prices throughout the world, and its present increase is an expression of the demand which was deferred by the war. Nevertheless, such a considerable increase can be attributed, as a rule, to the necessity of compensating deficient production for internal consumption,



sumption, a characteristic of an economy which tends towards monoproduction, as also to develop petroleum production, which, in turn, creates that deficiency and provides the resources while this situation prevails, to compensate for it through exports. The aforementioned increase in imports is measured, in value, by the following figures: thirty years ago, that is to say, when the production of petroleum began, it fluctuated around 100,000,000 bolivars annually. Ten years ago imports were estimated at 300,000,000, influenced by diverse alternatives but especially by petroleum production and the supply of foreign exchange derived from that source. Provisional estimates indicate that imports for 1947 are going to double their value in 8 years, totalling about 600,000,000 bolivars, but it must be remembered that this increase is due not only to the factors pointed out before (increase in prices and the supplying of deferred demand) but also to the fact, that in that amount are included, the imports of the petroleum enterprises which have developed their installations and operations more and more in recent years.

Other considerations could be formulated as to the influence of petroleum upon our economy and Venezuelan finances. For example, the fiscal revenue received from petroleum, including the taxes on the income, make up at present approximately 50% of the Venezuelan budget. In order to appreciate the influence of the petroleum factor on our public finances it is necessary to realize also the harmful effect that any misfortune that befell the petroleum industry would have upon the rest of the national income.

But what has been said is sufficient to show the truth about the situation of our economy; in other words, that it is very sound and stable. But for Venezuela it is a question of life or death to diversify and expand her sources of production soon, in order to get away from our dependency on an exhaustible mineral product, which can be replaced by another source of energy.

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The present economic policy of our country is directed toward that revitalization of our National Economy. Thus we find that from the 1947/48 budget amounting to 1,219,000,000 bolivars, the sum of 412,000,000 or rather a third of the total expenses, is to be allotted to economic development, through diverse official departments. If we add that 14.45% of the National Budget is allotted to Education, 14.30% to Health and Social Assistance, and 3.14% to Labour and Social Security, we will come to the conclusion that more than two thirds (65%) of the national expenditure of Venezuela is for the purpose of reconstructing bettering and revitalizing the human capital of the nation and the rest of the elements of production.

The fundamental machinery for our reconstruction is the Venezuelan Development Corporation, created right after the political change which took place in 1945. As a practical example of Inter American cooperation, it is worth mentioning the fact that Chilean example and experience and the assistance of distinguished experts from this country, and from others, such as Mexico, have been invaluable to the establishment of the Venezuelan Development Corporation.

The plans and programmes for greater production which the Venezuelan Development Corporation is getting under way, will be presented by us in detail to the Economic Commission for Latin America. For the moment, it will suffice to enumerate a few general facts concerning this fundamental effort of our economic revival.

The Government of Venezuela has assured the Corporation annual financial assistance equivalent to an amount varying between 2% and 10% of the total budget of the Nation. At this time, the State allotment for this activity is 90,000,000 bolivars and the Corporation, on the 31st of December, had at their disposal a working capital of 192,500,000 bolivars.

In 1947, in order to compensate for the deficit of the national  
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consumption in diverse products, and to promote the development of our productive capacity, the Venezuelan Development Corporation, granted credit to the amount of 55,640,000 to producers of the following items: rice, corn, vegetables, oils, fruit, sugar, meat, milk, fish, textiles, construction material, corn silos, wheat mills and footwear. To direct investment bearing on the production of the same articles, the Venezuelan Development Corporation allotted in the same year 24,630,000 bolivars; a great part of which will be devoted to the development of the cultivation of rice and corn, and to encourage the sugar and fishing industries.

The Corporation, it is worth while to observe, is obliged by its laws to transfer over to private capital, all enterprises which it promotes, after they have reached development and realized profits.

It is of the utmost importance, to make clear the help that we need, by pointing out that of the 90,000,000 bolivars allotted last year to the Corporation by way of credit and direct investments, only about one half was used. Referring to the causes of this backwardness the Report of the Institute observes that the lack of experienced technicians in the number required and difficulties in obtaining heavy machinery, have been the two factors which limit the carrying out of the Corporation's plans, in full. It is necessary to say that the efforts which the Corporation has made to increase the production of electric power, to which later will be added the plans in preparation, relative to the use of petroleum gas in the reduction of iron ore and those plans to make better use of the forest resources, to encourage chemical industry and to assist in the study of technical improvement of transportation.

It should not be forgotten that, in conjunction with the Venezuelan Development Corporation, the Venezuelan Government employs other organizations for the development of production in agricultural, financing credit and maintaining the prices of products for the establishment of the Agriculture and Cattle Bank, and in regards to credit for /industry

industry, it has created the Industrial Bank. Aside from the work that it accomplishes in its field, the Institute of Immigration and Colonization with the broad powers given to it by the State, not only is encouraging immigration but it is also developing works of an interesting nature in respect to colonization.

It is equally appropriate to mention the interesting collaboration which the Basic Corporation of Production Development is lending to the diversification of our productive energies. This organization is established by North American capital in order that the Venezuelan Government through the Venezuelan Development Corporation as well as national investors may undertake the utilization of our resources, and the processing of our raw materials.

We shall refer in more detail to the situation brought about by the deficit in our production, as well as to the means we have to improve it, being conscious of the future consequences of monoproduction. We shall also give an outline of the efforts made by our country to achieve the rehabilitation of our economic system. We do this in order to point out the needs of Venezuela regarding precise substantial and specific technical advice to the branches of production which the country must develop, and so that Venezuela be given the necessary facilities of equipment and materials to achieve the fundamental aims of our economic policy, consisting in the adjustment of our economy, and genuine stability based on the diversification of production.

Venezuela's opinion regarding the capacity of the Economic Commission for Latin America has been reiterated many times in the deliberations which preceded its creation. It is therefore unnecessary that we insist on this point. Our representative in the ad hoc Committee Dr. Carlos Eduardo Stolk, who had the honor and the responsibility of being its Chairman and Rapporteur, presented a report which contains points of view reflecting the criterion of the aforesaid Committee and, in a general way, the position of Venezuela in this respect.

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We think, on the other hand, that any plan of action to be presented at this Session would be premature, since these deliberations and those of the next Conference should lead to achieve a harmonious plan resulting from the discussion of different needs and diverse conceptions and opinions.

However, let me make some observations as to the mission which, in our opinion, corresponds to the Commission.

We must first, point out that we have never considered it as an unsurmountable problem or of difficult solution, the possible duplication and interference in the functions of the Economic Commission for Latin America and the Inter-American Economic and Social Council. Venezuela sees in both Organizations useful and necessary means of continental economic progress and judges, as we did from the very outset, that utmost benefit may be derived from both when at joint meetings they could determine the degree of action and the ways of cooperation which could exist between both Organizations.

Regarding the work of the Economic Commission for Latin America in the General Economic Survey of the Situation of Latin America, and of each country in particular, we believe that its contribution, coordinated and identified with that of the Inter-American Economic and Social Council will be invaluable in the solution of our economic problems.

However, we think it is indispensable to make two observations concerning the question of technical aid, which is of great interest for all of us here.

In the first place, countries which are not undertaking a preliminary survey of their economic situation and needs, but have already come to the plane of concrete realization and achievement of plans of production, should pass from the generalities to the specific execution of the development of the industry. Moreover, in the event that the advantages and possibilities of establishing any given industry or specific  
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production have crystalized, the International Organization, or the technicians appointed by it should not insist on a resurvey study, but rather devote themselves to aid the industry or production on the spot.

In second place, within each national sphere, and in connection with the peculiar and often fluctuating economic problems of each country, to train experts in economics is of paramount importance in Latin America. Consequently, we believe that the Economic Commission for Latin America, which has to consider the fundamental problem of training a technical staff for this part of the Continent, should take these suggestions into account. This idea originated among University students, and suggests that somewhere in Latin America, in a place to be determined later, a Faculty, Institute or Superior Normal School could be established sponsored by the countries concerned which would train a specialized staff to teach Economics, Finance and other sciences related to public and business administration.

We wish to add that we have been greatly interested in the way in which the scope of action of the Economic Commission for Latin America has been formulated, with discretion and ability, by Mr. Owen, Assistant Secretary General of the United Nations. He has referred to the establishment of subsidiary organizations in the Commission in order to study the problems of regional inland transport, and to the problems of electric power and expansion of industries, such as iron and forestry. We agree and we support this suggestion.

Particularly regarding transport, we wish to add that our Government is very much interested in its solution, and is developing intense activity in this respect, especially in connection with the development of maritime, fluvial, and air transport, as well as of highway systems and the reorganization and enlargement of our deficient railway system. This is to be coordinated with the development of production which we have already mentioned. Nevertheless, we believe that the attention  
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given to internal transport is not enough to encourage development in each Latin American country. It is also necessary to improve transport services and lower the fares from one country to the other throughout the continent and the rest of the world. We propose, echoing Mr. Owen's suggestion and giving to it a more concrete and practical shape, that this discussion should also lead to the establishment, within the Commission for Latin America, of a sub-commission for the study of transport problems, and particularly for the lowering of freight rates which are overwhelming to foreign trade in all our republics.

In pointing out such vital problems we do not want to disregard other aspects whose great importance has been brought out by preceding speakers. For instance, statistical studies and coordination; elimination of double taxation; the attention given to the problem of inflation and lack of means for external payments; cooperation with the various governments in the studies for the conservation and better utilization of natural resources, and especially, technical aid and advice on the part of the Economic Commission for Latin America to the countries that may ask for it. Finally, we believe that the work to be done by the Commission, its continuous cooperation and support to the efforts of the governments of our Republics to obtain capital funds, equipment and appliances to achieve the technical soundness of our economies, are outstanding facts.

Our Delegation has come to this Session with the same enthusiasm and faith with which we have attended every international meeting. This faith and this enthusiasm for the noble aims, such as raising the standards of living of our peoples have increased and enhanced our hopes and we are certain that the Economic Commission for Latin America will attain its objectives. It is a matter of very warm satisfaction to us to note the sympathy and solidarity shown by the other countries represented here, who have viewed the aims of Venezuela with a friendly attitude.

