

ECONOMIC COMMISSION FOR LATIN AMERICA

Ninth Session
Santiago, Chile, May 1961

**STATEMENT BY MR. CHEDDI JAGAN, REPRESENTATIVE OF BRITISH GUYANA, AT
THE PLENARY MEETING ON MAY 6, 1961**

First of all I would like to express our gratitude for being accepted as an associate member of this Commission last year, in spite of the fact that our application was submitted at the very last moment. I am more than grateful, particularly after what we have seen this afternoon, with respect to the application of British Honduras. I hope that when I am here again or someone standing in my place in the next occasion that, either, in conformity with the name of this Commission, that I will be speaking Spanish or that by that time we will have changed the name to something else and not call it Latin America only.

On this question of current economic trends, I speak with some hesitation as this is the first time that I am here and also because I cannot claim to know all about the economies of Latin America and the problems which confront these separate republics, of the economic, social and cultural obstacles which must be surmounted before the state of self-sustaining economic growth, which we all desire, can be attained.

Many of the problems which I have heard mentioned by previous speakers are not, however, unknown in my country. It seems to me, generally speaking, that the problems of underdevelopment have all the same familiar aspect, whether we are living in Asia, in Africa, in the Caribbean, or in Latin America. There is the same dependence on primary products, the same unstable world markets for such products, the same balance of payments difficulties, the same exploitation of irreplaceable natural resources by foreign interest, the same imbalances between agricultural and industrial production, the same lapse of financial resources, the same poverty and maldistribution of income, and the same inability to accelerate the momentum of economic growth in the face of rapidly growing populations.

These are the symptoms and effects of underdevelopment. A mere recital of these symptoms and effects of underdevelopment, in my view, is not enough. If we are to break out of the vicious circle of poverty, it is necessary for us to recognize the causes and, indeed, to prescribe the cures. It is good to hear that planning now is no longer in the category of taboo subjects, and that even the great country, United States of America, is now seriously talking in terms of economic planning, in spite of criticism of some who say that planning is incompatible with its free-enterprise economic philosophy.

There is need, as we all admit, for rational economic planning. We cannot afford to leave development to the vagaries of chance. Planning is required to maximise returns from limited resources and for the exercise of the most judicious choices between different alternatives.

Should we invest in agriculture, or in industry? Must it be heavy industry, or light industry? How much must we put for social overhead expenditures as compared with economic development? These are all questions which the technical planning experts must determine quickly and without preconceived ideological prejudices. Some experts who have gone into the problem of economic underdevelopment have come to the conclusion that no underdeveloped country can become genuinely independent unless its government is able and willing to interfere, drastically, first, in its own internal economic life and, secondly, with the so-called free flow of international trade.

For us, who have been living in a colony, to drastically interfere with our own internal economic life implies, first, the achievement of political independence. We see in the papers which are circulated, a resolution passed in the United Nations General Assembly requesting that all colonial territories must be freed. I do hope that our neighbours in Latin America will take up the steps, in spite of the declaration of the United Kingdom, to see that British colonial territories achieve independence in the shortest time possible; indeed, immediately.

If we are to solve the social isthmus and the many problems that beset us, then we must strive for economic emancipation also.

Today, we are faced with many difficulties. We have to consider proper assessment of the resources and the mobilization of those resources. We have to see that the limited resources that we have, are not wistfully consumed by conspicuous consumption in some cases. In other cases, by wistful expenditure in ostentatious buildings, in some instances; in other cases, by overstaffed services, by large police forces and so on. We need aid, if we are to solve some of these problems, particularly in the short-term period. We need aid which is going to be given without strings, because if aid is given with strings attached, with condition as to how we must spend the sums of money granted, then we will find that in the long-run that instead of this aid really assisting us, that it is in effect putting us in deeper and deeper waters.

In our country today, we find that we are faced with serious problems, in spite of the fact that we have tremendous resources, both natural and manpower. We have a serious unemployment problem. The last International Labour Organisation's (ILO) survey disclosed 18% unemployed and 9% underemployed, with a prognosis that unless development pace were to keep step with the very rapid increase in population, with the very rapid strides needed in health standards, that by 1965 our unemployment situation will be increased by three times. Instead of having 30,000 unemployed, or 18% of the labour force, we will have 90,000 unemployed by 1965. This is the prospect which is certainly alarming to us.

We find also that in a country which is occupied only to the extent of 4% of its territory, there is large land resources, that there is a severe land hunger. Recently we have just finished a new land settlement scheme embracing an area of 27,000 acres. The land was to be distributed on the basis of only 17 1/2 acres to each family. Even this is insufficient taking into consideration the low net income per acre and also the fact that mechanization has strided very rapidly in our country. In spite of this fact of having only 17 1/2 acres for each family, we found that we could not satisfy all those who demanded land in our country. Only 1,400 persons could be settled in this area, but over 6,000 persons applied -- 6,000 families.

This is the tragedy of a country like British Guiana. People want to farm, land is abundant in the country; yet, for lack of resources, for lack of money, people go about hungry, people do not have enough to cultivate.

When our last development programme was drafted a year ago, we were told that it must be limited only to \$110 million. I speak now in your currency, British West Indies currencies, which is equivalent to US50 cents. For five years our programme is limited to \$110 million, when it is admitted on all sides, by all the experts who examined our situation, that far more money is necessary.

I am not thinking of grandiose schemes for industrialisation; I am thinking of the basic things, such as roads, communications, drainage and irrigation schemes, land settlement schemes, industry and agriculture.

We were told that we cannot have a bigger development programme because we cannot afford it; we would not be able to pay for it. Why can't we pay for it? The projection was based on 6% interest, at 6% per annum over the next 15-20 years. Clearly, poor, underdeveloped countries, like British Guiana, cannot afford to break out of this situation, if it has to pay as much as 6% interest, 7% interest and other higher rates which are charged at the moment. International agencies will have to look at this problem very closely to see what can be done. We are glad to see now that agencies such as the International Development Association, have been set up to permit easier-term loans to be made, but unfortunately, we are told that the funds available to this organization are very limited. We are glad to see that the United States Government is making substantial sums available, some of which also will be made on fairly easy terms. In this respect we are certainly at a disadvantage because, being a colony, we cannot participate in the Inter-American Bank. Let us hope that before the next Commission meeting we will be independent and that we will also be a member of the Inter-American Bank.

I would like, however, at this stage, to refer to what Mr de Seynes said in his speech about the concentration in the agriculture sector. We realise that for one reason or another, it is difficult to embark on large-scale schemes of industrialization immediately. First of all, many of us do not have the feasibility surveys made. We have not got proper assessment made of our natural resources. There is a reluctance, on the part of investors, to invest. We see over the last few years that there is a shift towards developed countries of

I see this problem facing me, or facing my government, in a very acute way. Agriculture is a very costly enterprise in my country. On the one hand, we are subject to the sea, to the salt water coming from the sea. And, in the back, from the floods which comes from heavy rains. To get ourselves over those and those of land, our 83,000 square miles of land in the hands of the farms, requires large sums of investment on drainage and irrigation projects. We are not fortunate as some countries where farmers can go and establish their homestead. If we are to settle a few farmers, on a few acres, we will have to solve the problem for a large area, because the flood problem unites the whole country. Recently, we have decided to embark on a new drainage and irrigation project. When the financial experts looked at this, considering how much money had been put in, considering what will come out, they said: "no we must not embark on it." What are we to do? Shall we sit and wait until private enterprise develops industries, whether from outside or from inside? We cannot afford to wait. Private enterprise is not interested in development of agriculture, in drainage and irrigation schemes, in building roads. Where are we to get the money for enhancing, for enlarging our development plan, which everyone admits is necessary? Where are we to get the money for financing agricultural schemes which we are advised we must concentrate on? We do not want charity only. We want to put our economy on a sound footing and, therefore, I return to this question of aid.

Those who are in a position today of offering assistance, must not judge us by their own philosophy or by what was good for them. Private enterprise may have been very wonderful for the development of the United States of America, or for Japan, or for Germany, but we are living today under different conditions. It is no use talking to us about quality, because we know we may be equals in the sense of having one vote, but we are very much unequal in the matter of trading and in the matter of having the commanding position to talk as equals. We, therefore, have to develop a balanced agriculture and industry. We have to take an active interest in the public sector to develop industries, because it is only from the profit of those that underdeveloped countries, like mine, can find the way out, can find the money to put for those more profitable things, for the drainage and irrigation of land schemes, for the agriculture which we all admit is necessary for industrialization to give a base for raising social standards, education, health services, and so forth.

Whether this sort of aid will be forthcoming is another question. But I throw out the suggestion that it must be done in this direction. Otherwise, we will not get out of the rut. There was a recent example in my country, which perhaps I should refer to show what has happened there. Thirty years ago came an electrical company from Canada, invested \$1/2 million. Not one penny more. In the course of the last thirty years, \$7 million have flown out in profits, out of British Guiana. We have just taken over the company, on credit, on credit terms. In the course of the next five years, when we are to finish paying them, we will have to pay them another \$7 million. All of this coming from an original \$1/2 million. Indeed, before taking over, we asked our consultants to tell us what is the prognosis, what is likely to be the outturn of taking over this company. We were told that after putting in all that is necessary, after going in for expensive rural electrification toward the whole country, that at the end of twenty years, the company will make a net profit of \$60 million. Well, if this company were allowed to remain as it was and we were content in merely drawing taxation, a normal taxation, we would have got 45% of this, but the rest would have flown out of the country.

It is for us to decide whether the basic industries in our countries -- in which sector we find the highest profits, because the monopoly controls. It is for us to decide whether this sector, whether the high command of the economy should be put in the public hands on the people, so that the resources from those can be used for the development of all those things which private enterprise finds unprofitable and does not want to indulge in or embark upon.

Mr President, I realize that I have tread on a very controversial subject, but we must face facts. I realize that aid, that money, is limited and this is why, I for one, have always given support to the cause of world peace and disarmament, because I feel the quicker there is some sanity brought to world affairs in this respect, the quicker all these millions which are now going toward armaments are saved and put in fruitful economic development, the better for all concerned.

I therefore recommend to my fellow delegates that we take an active interest in this question of peace and disarmament, because I feel that in this way it may be possible to divert a great deal of millions of the money which is being wasted today and which can go towards alleviating the sufferings of our people.

Europe, of North-American investments, and even before this period, that more money was spent in manufacturing in the developed countries than in areas such as Latin America. In these countries whatever foreign investment came was devoted principally to the field of extraction of minerals, in the extractive industry. This has not, in many cases, resulted in all-round development. It is to correct this imbalance that we are now discussing some of these important papers which have been presented to us.

But what do we find when we go abroad seeking assistance? First of all, we are told that enough money is not available, even to do the basic infrastructure development. If we mention industrialization, we are told that that must be left completely to the private sector. We see, from the statements and figures which are produced, that in the past private investment, foreign investments, are coming only in certain restricted sectors of industrialization -- the extractive industries. We see recently, as I pointed out -- a tendency for capital to move out from the underdeveloped areas to go rather into the developed areas. We are therefore faced with a very serious situation. Mr Prebisch, in his remarks, referred to the strengthening of native capital -- native capital playing a greater role in the industrialization of our countries. But even here sometimes we question whether native capital alone has either the experience or the will to move ahead as rapidly as some of us feel the move should be if we are to solve the economic ills facing us not only today, but which seem to be growing and looming larger.

Motivation of private enterprise is certainly one of profit, but not all schemes can be considered an undertaking on the basis of profits. Some of us are of the view that many industrial projects have to be started even though they may not, by themselves, be profitable, but considering them in the constellation of development with other industries, will lead to the economic improvement of our countries. But, unfortunately, when we talk in these terms, we are told that capital will not be forthcoming for this sort of development.

And I think that we have to therefore give it serious consideration. The last speaker, the Honourable Delegate from Brazil, referred to the same point. What role must the public sector play? Other countries, in Asia and Africa, are now increasingly giving serious attention to this problem. It is no use only talking about land reform, about removing certain impediments in the way. This is not enough. We must also look at the picture more comprehensively. If I may refer to some figures pertaining to Latin America: First of all, from statements made by high officials, by policy makers, it does appear that it is not the intention of the developed countries, the metropolitan countries, to industrialize these backward, underdeveloped countries. I do not want to tire you with reciting some of these statements. But what is more alarming is the fact that when foreign capital, private investments, have flowed into these areas, in has also over a long-term period, resulted in a greater outflow of capital. I am told that for the decade 1946-54, a total amount of \$7 billion were made in profits in Latin America by foreign investors. In this same period, \$2 billion of new capital came into the area. Profits reinvested amounted to \$1 1/2 billion, leaving a net outflow of \$3 1/2 billion. In the period 1955 to 57, the inflow of capital amounted to \$3,470 million; the outflow was \$3 billion, while profits or interest amounted to \$3,550 million, thus leaving a net outflow of \$80 million. This is in the field of private investment.

On the government level, I am informed that for the period 1947 to 1956 loans made to Latin American governments amounted to \$2,760 million. Repayment of capital and interest on loans made amounted to practically more than 2/3 -- to \$1,829 million. For the year 1956, Latin America was in the predicament of having to borrow a total of \$450 million and having to pay back in principal and interest precisely the same amount. This, fellow delegates, is also principally responsible for the underdevelopment of our territories. We must be concerned about these facts because, unless we face up to them, we will be making the same mistakes in the future. There is no point in borrowing money, first of all, borrowing little money, small amounts of money, which cannot solve anything. We must have large sums of money. And, if we are to solve these problems, provision should be made that the periods of repayment must be long, the rates of interest must be low.

But, far more important, we must see to it that this money is spent wisely and well, because if we do not do so, then we will be in the predicament, as we have seen from these figures, of perpetually borrowing money and perpetually paying back interest on capital without ever getting out of the rut of forever going out, outside unhappy hands, begging for money.

I would like to say just a few words on trade. Enough has been said, a great deal has been said, on the question of the drop in prices of basic products which are produced in these areas. It is necessary for us to see that there is some stability in the marketing of primary products which are produced in the underdeveloped countries of the world. Indeed, we have seen over the course of the last few years that steps were taken not only by the underdeveloped countries, but also by the developed ones, to stabilise these prices and to take some steps to find markets for these goods. The developed countries are increasingly realizing that it is not in their long-term interest to buy cheap and sell dear. Unfortunately for us, we have to deal with people who have become in many cases large, who have concentrated themselves in the monopolies, the result of which has been that while our prices are dropping, their prices are increasing. We are glad to say that in the United States of America and in the United Kingdom, there have been serious inquiries about monopoly tendencies in the fixation of prices for many, many articles, ranging all the way from drugs to electricity, and so on. Unfortunately, we have dealt with these monopolies as individuals, as weak nations, as poor countries. I am glad to say that within this region, trade associations are developing and I would suggest that our country be included in the survey so that there can be some integration also of the colonial territories in this hemisphere and the sister republics.

Mr Chairman, in concluding, I would like to say that the gap in living standards today is very high between the rich countries and the poor. Ten years ago we were told that 1/5 of the world's people living in the rich countries, in the industrialized countries, earned more than 2/3 of the world's income, and that we living in the underdeveloped countries made up more than 2/3 of the world's population, but we earned only 1/6 of the world's income. This wide gap in living standards was reflected in individual incomes ranging from \$1,000 for the richest countries to \$50, \$60, for the poor ones. Instead of the gap narrowing over the last decade, we now find that the gap is widening. Certainly this is not in the interest either of the rich, developed countries, or the poor. Because, if this situation continues, there will be explosions everywhere. I say that explosions are not in the interest of anyone because poor people die in the process. I feel that it is a normal obligation on the part of the rich to come to the assistance of the underdeveloped countries. We hear a lot of talk today about how much this country is doing and how much that one is doing. But let us not forget that many of these rich countries have become rich as a result of the exploitation of the poor ones. Let us not forget that and, in their own interest, they should come to the assistance of the poor ones. We cannot continue in the old game where the rich will live at the expense of the poor and get richer. Statistics have shown us that in the case of my own metropolitan country, the United Kingdom, United Nations economists have pointed out that an original investment of stock and foreign assets in 1825 of 100 million pounds aggregated to 4,000 million pounds by 1913, as a result of reinvestment of profits and interest. And what is said about the United Kingdom can be said of the United States of America and other places who have more recently come onto the scene; France, Germany.

I say that this sort of situation cannot continue. If we are to live like brothers, if the purpose of the United Nations Charter is to be served, if we are to have one world, and not be divided into two worlds, one of the rich and one of the poor, if we are not to have explosions, then I say that the rich countries must come forward and assist us, not with handouts and doles, but by giving us money, sound advice, experts who are not on their terms, who will be prepared to look at the situation objectively, combining theory with practice -- some theory -- so that we can get out of the rut. And, in so doing, solve the economic problems of our countries.

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