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A REPORT ON  
THE ALLIANCE FOR PROGRESS  
1968

BY

Honorable HUBERT H. HUMPHREY  
UNITED STATES SENATOR FROM THE  
STATE OF MINNESOTA

TO THE

COMMITTEE ON APPROPRIATIONS

AND THE

COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE



APRIL 11, 1968.—Ordered to be printed

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U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1963

**S. Res. 113**

IN THE SENATE OF THE UNITED STATES,  
*April 11, 1963.*

*Resolved,* That there shall be printed as a Senate document a report entitled "A Report on the Alliance for Progress, 1963", submitted by Senator Hubert H. Humphrey to the Senate Committee on Appropriations and the Committee on Foreign Relations and that seven thousand additional copies be printed for the use of those committees.

Attest:

FELTON M. JOHNSTON,  
*Secretary.*

LAT

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1963, to the Committee on Appropriations  
and the Committee on Foreign Relations,  
United States Senate.

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## LETTER OF TRANSMITTAL

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UNITED STATES SENATE,  
COMMITTEE ON APPROPRIATIONS,  
March 13, 1963.

HON. CARL HAYDEN,  
*Chairman, Committee on Appropriations,  
United States Senate, Washington, D.C.*

DEAR SENATOR HAYDEN: As a member of the Committee on Appropriations I visited Venezuela, Panama, Costa Rica, El Salvador, Honduras, Guatemala, and Mexico in November and December of 1962. My purpose, on behalf of the committee, was to study the Alliance for Progress program, the movement toward economic integration in Central America, and to discuss the Cuba problem with Latin American leaders.

In compiling my report, I have gone beyond my recent trip and have drawn on my trip to South America in 1961, on my discussions with United States and Latin American officials here, and on recently published reports on Latin America. I submit herewith a report on my conclusions.

Sincerely yours,

HUBERT H. HUMPHREY

# REPORT ON THE ALLIANCE FOR PROGRESS, 1963

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## INTRODUCTION

In terms of where it was a year ago, the *Alianza para el Progreso* has taken a giant leap forward. In terms of where it has yet to go, it has taken only a short faltering step.

This is my principal conclusion on the basis of two trips to Latin America during the past 2 years (November–December 1961; November–December 1962), regular consultations in Washington with United States and Latin American officials, and a careful reading of available reports on the Alliance published both in the United States and in Central and South America. This report is therefore a general appraisal of the Alliance today and is not confined to reporting on my two visits to Latin America. One qualification might be added. Although I visited countries of the southern cone (Argentina, Chile) as well as Brazil in 1961, and have followed events there carefully, the report tends to give greater weight to the northern countries of South America plus Central America and Mexico. It is especially brief in its treatment of Brazil. Whatever we do in Latin America we need to remember that in the long run Brazil is the key to success or failure. Brazil is the big country, and if the Alliance for Progress fails in Brazil, and if our relationships with Brazil deteriorate to the point of noncooperation or emotional hostility, then whatever we seek to do in the Western Hemisphere will be endangered. It should also be recognized that the success or failure of the Alliance for Progress in either Chile or the Argentine will have far-reaching consequences in the hemisphere.

In reviewing the Alliance today, there are solid grounds for encouragement—and serious grounds for concern. The Alliance has begun to gather momentum; the question is whether it can maintain and increase this momentum sufficiently to overcome the obstacles it now faces and those which loom in the near future.

In the two trips to Latin America, I made a special point of looking into the health, housing, and education aspects of the Alliance; at agricultural and cooperative programs; at the operations of the U.S. Information Agency. I examined carefully the relationship of private investment to the Alliance.

On both trips I gave careful attention to the United States administrative machinery for the Alliance. On both trips I visited with leaders in all the above technical fields as well as with local government officials and United States Government personnel, and with private citizens from varied backgrounds. Always I sought out peasants, students, labor and cooperative leaders, and wherever possible, local journalists. On the most recent trip, I gave special attention to the relationship of Communist subversion in the Caribbean, to the success of the Alliance, and to the growth of the Central American integration movement.

I returned a year ago from a study mission to South America—to Colombia, Peru, Ecuador, Chile, Argentina, and Brazil—gravely concerned about the future of the Alliance. Political instability in Argentina and Brazil was increasing. Little had been achieved in obtaining international agreements to stabilize declining commodity prices. Scant attention was being given to protecting markets for Latin American exports in the European Common Market countries. Intervention by the Latin American military in determining the outcome of elections continued. U.S. propaganda efforts, chiefly through U.S. Information Agency, were feeble and inadequate. American technical assistance literature on health and agricultural problems was rarely available in Spanish or Portuguese. Country development planning was hardly beginning. The administrative machinery for implementing the Alliance program, both in the U.S. and in Latin American countries, was in a state of chaos and confusion.

Although the grounds for pessimism a year ago were many, several solid bases for optimism were already evident. Governments were drafting tax reform legislation and beginning to establish long-range planning organizations. Non-Communist democratic trade unions were gaining in strength. Large-scale housing programs for middle- and low-income groups were being initiated. Cooperative movements in agriculture and credit unions were beginning to take hold. Savings and loan associations were being established. In a number of countries leaders in the church were responding to the Pope's encyclical "Mater et Magistra" calling for immediate support of programs fostering social justice.

On my trip in November and December of 1962 to the Caribbean-Central American area, I visited Venezuela, Panama, Costa Rica, El Salvador, Honduras, Guatemala, and Mexico. Once again I concentrated my attention on health, housing, and education; on agriculture and cooperatives; on labor organization; on information and cultural activities; on government planning, and the role of private enterprise; and on the administrative machinery of the national governments and of the U.S. aid program. There is solid, but spotty, progress to report on all these fronts.

I visited gleaming new health centers and was impressed by the simple drugs on hand. But I was also told of cases in which the supply of drugs was exhausted before the end of the month—in part from a shortage, in part from pilferage. Some countries are eagerly awaiting the arrival of new mobile health units; others are wondering what they will do with such units until roads are built.

I saw hundreds of clean new houses, some of them priced to sell for less than \$1,000 with monthly payments of less than \$10. The Alianza has moved further in housing than in perhaps any other field; it is beginning to make a dent—but only a dent—in the appalling slums which fester in almost every Latin American city and in much of the countryside.

I likewise saw dozens of new schools, many of them built with the donated labor of local residents using materials furnished by the national government and the Alianza. And I learned of an exciting new program which is making simple paperback textbooks available to all elementary school children at a cost of between 10 and 15 cents per book.

I visited land resettlement and rural housing projects, indicating that "agrarian reform" is becoming a reality. The cooperative move-

ment both on the farm and in the cities is spreading. I saw foreign private companies flourishing in Venezuela and Mexico. The administrative competence of many governments has improved.

I was favorably impressed with improvements in the work of the United States Information Agency; its activities seem to have a better sense of proportion and of priority. Progress has been made in Latin American universities in combating Communist student activity; more effort is still needed in this field. 'The Voice of America is better, but not yet as good as it ought to be, especially as regards its signal strength. Service to local broadcasters has been effectively strengthened.

I was most favorably impressed with the caliber of diplomatic representation in most countries. Highly qualified and effective ambassadors are on the job in most posts. The general caliber of their staffs is high. I am happy to note that career officers in our Foreign Service no longer consider assignments to Latin America as being exiled to the "peanut league," but rather an opportunity to serve in what President Kennedy has described as the most critical area in the world.

### I. 1962 CARIBBEAN TRIP

I report here very briefly the highlights in the individual countries visited in 1962:

#### VENEZUELA

The liberal, energetic government of President Romulo Betancourt started its own Alliance for Progress-type program of economic development and social reform when it came to power in February 1959. It can point to real accomplishments in the intervening 4 years despite political harassments from both left and right and economic harassments in the form of capital flight and business depression.

Venezuela is today the No. 1 immediate target of Castro-Communist subversion because the Alliance for Progress is succeeding there. It is the immediate target because the subversion of Venezuela with its huge resources of oil and iron would provide a springboard for the penetration of the entire South American Continent. It would convert the Caribbean into a Communist sea. The United States Government must make it clear to all that these attacks on Venezuela will not be permitted to succeed. They will be repelled—regardless of cost because Venezuela has top priority for United States support. With the help of the United States, it will survive the current external Communist attack and continue to represent a beacon of democracy in a troubled Caribbean.

The political harassments, while still continuing, have been faced successfully thanks to Betancourt's courage and astuteness. The economic harassments have been more unyielding. Business has improved somewhat in the last 6 months, but unemployment stubbornly persists at a whopping 12 percent of the labor force.

Meanwhile, the Government's expenditure for education has tripled, reaching a level, in 1962, of 1,045 million bolivares (\$231 million). This is 15 percent of the total national budget, the level which the Punta del Este Conference recommended be achieved by 1970. The number of students in elementary schools has almost

doubled, increasing from 600,000 to 1,100,000. Almost 55,000 campesinos have received their own plots of land. Rural housing and community development programs are underway, and under the energetic leadership of Gov. Alejandro Oropieza Castillo of the Federal District, an attack has been started on Caracas' enormous slums. During my visit to Caracas, I was privileged to be present for the signing of a \$30 million AID loan agreement which will be used for housing and community facilities.

The Betancourt government's Ministry of Health has a budget of more than 400 million bolivares (approximately \$100 million) a year, and 19,000 employees, many of whom man a network of rural health centers. This, it should be noted, is for a country of 7 million inhabitants. The health program has been so successful that accidents are now the leading cause of death in the 5-to-45 age group.

Most of this has been done by Venezuelans, with Venezuelan resources.

#### PANAMA

The Panamanian gross national product has grown at the rate of about 6 percent a year for the last 5 years, about twice the rate of population growth. A per capita GNP of \$440 is high by Latin American standards. Panama has an economic development program calling for public investment of \$213 million in the period 1962-66. In the last 2 years, Panama has received \$54.5 million in United States and international loans and grants. A start has been made in the cooperative movement and in feeder road construction. At Ambassador Farland's recommendation, simple farm-to-market roads have been constructed with AID funds, not superhighways that take years to build and cost millions of dollars. A self-help housing program is also underway, producing houses at a cost of \$2,200 each to be paid for over 20 years.

Although the presence of the canal has brought in high revenues and resulted in a high average per capita income, Panama's preoccupation with the political problems resulting from the canal has resulted in minimal progress in achieving the reforms stipulated by the Alliance Charter.

#### CENTRAL AMERICA

The countries of Costa Rica, El Salvador, Honduras, and Guatemala (along with Nicaragua, where time did not permit me to stop) are best considered as a unit. In fact, the movement to make them an economic unit is well advanced. About half the value of the trade among these countries already moves duty free, and restrictions on the remainder are scheduled to be removed by 1966. Furthermore, this intraregional trade is increasing—up from \$9.7 million in 1951 to \$37.4 million in 1961. The five countries have also negotiated a common customs tariff with respect to 98 percent of their imports from abroad and have put this common tariff into effect with respect to 60 percent of their imports.

Of equal, or perhaps greater, importance is the fact that the five countries have adopted a regional approach to their economic development problems and have created the Central American Bank for Economic Integration, with an initial capital of \$16 million supplemented by \$3 million in grants and \$5 million in loans from AID. A further loan of \$10 million from the Inter-American Development

Bank is pending. The Central American Bank's stated purpose "is to promote economic integration and balanced growth of the member countries." The Bank is particularly interested in highways and telecommunications which are basic to regional growth. It is also helping to finance new industries, or expansion of existing industries, to take advantage of the larger market provided by the economic integration movement.

The growth of this movement is one of the most hopeful developments I found, and should be encouraged in every practical way. Together, the five countries of Central America have a population of 11 million—more than Chile or Venezuela, almost as many as Peru. Separately, they have populations ranging from 1 to 3 million. Together, they have a favorable ratio of population to land. Separately, they have areas of extreme overcrowding, as El Salvador, and of unsettled lands, as Honduras. Together, they have a population growth rate of 3.3 percent which, though high, results in considerably less population pressure than Costa Rica's 4.5 percent. In short, together, these countries have the possibility of becoming a significant force for stability in an area which badly needs it. Separately, they cannot hope for much more than bare existence.

Central America also provides striking evidence of a trend, noticeable in all the countries I visited, toward new and more diversified agricultural production. New developments and expansion in crops and livestock, however, are resulting, primarily, from efforts of medium to large land owners. For example, the whole changing nature of the agricultural production of the south coast of Guatemala has been brought about by a relative handful of operators who farm very large tracts of land. There is no question that these development programs have been successful. Such new commercial crops as cotton, essential oils and rubber date back only a decade. There has also been a great change in livestock production methods in the same period. Now such breeds as Brahma and Santa Gertrudis are much more in evidence than the old "Criollo" cattle. It is true that all of these expanded enterprises require more labor. It is also true that some of the more modern production methods such as tractor use, fertilizer application, and so forth, are learned by a greater number of workers. However, not many of the small farmers have been participants or direct beneficiaries of the changing agricultural pattern.

To permit a greater number of smaller producers to participate in the expanded more modern agriculture, several observations can be made:

(a) Where possible the development of cooperatives should be fostered in order to give a group of small producers a collective power in the sale and marketing of produce and to afford them the benefit of group purchases of necessary seeds, fertilizer and agricultural equipment.

(b) It would seem logical to assist the small farmer in getting out of one-crop farming, i.e., corn. Possibly a more balanced operation, even one which continued to favor small farming, might be developed by utilizing tree crops, i.e., fruit, cocoa, nuts, and in selected localities, rubber, to provide an alternative source of income.

(c) It is still very difficult for a small producer to borrow money. While efforts have been made to overcome this lack of borrowing capability, still more avenues must be opened to obtain money at modest interest rates.

In Central America, especially, systematic land-use studies should be carried out to determine which areas are best suited to produce particular crops. This becomes all the more important with a developing Common Market which means that the best production site should now be thought of in terms not of one but of five countries. Along with the land-use studies, it would seem logical that a whole community development concept must be thought out in terms of relocation of people and land resettlement.

Much more attention also needs to be paid to the internal marketing of agricultural products. Present marketing systems are little understood, are archaic, and based upon past tradition. They are ill designed to function in connection with a rapidly modernized agriculture. They operate largely to the benefit of the distributor rather than the producer. Marginal spreads in favor of the middleman marketer appear unusually large. Also in Central America, with the appearance of the Common Market, distribution can no longer be thought of in terms of one country, but must be conceived in terms of intracountry movement.

#### MEXICO

The United States visitor to Mexico City is immediately impressed with Mexico as a large modern booming country, proud and independent—quite unlike the image of Mexico which all too many North Americans hold. One comes away from Mexico profoundly amazed that the peoples of two neighboring countries could remain so ignorant of each others institutions and traditions. The stereotyped Mexican of the Western movies—sleeping idly under a cactus—does not correspond to the real, hard-working inhabitants of modern Mexico. Our Mexican neighbors must learn that the United States is no longer the land of “robber barons” of the oppressed migrants of Steinbeck’s “Grapes of Wrath.” In many cases, our warped attitudes and prejudices are due to the fact that we have ignored Latin America. In other cases they have been victims of misinformation. It must also be said that Latin American books, periodicals, and news media have failed to understand and keep abreast of people in the United States. It is particularly true of the period since President Franklin D. Roosevelt. There can be no Alliance for Progress worthy of the name unless the Alliance is based upon respect and appreciation for what we are in truth, not what some people say we are in fiction.

In the United States I believe a fundamental change in the outlook toward Latin America must take place in the primary and secondary schools. For the past half century at least, the overwhelming majority of textbooks and reference books used in American schools either ignored Latin America or reflected a deprecatory and condescending attitude toward Latin Americans. Written chiefly by authors sympathetic to a Northern European cultural inheritance which historically has been fundamentally unsympathetic to Latin culture, these books have been an all-important influence in shaping the attitude toward Latin America of generations of Americans. This situation must be changed.

Mexico’s economy took a turn for the better in 1962, with preliminary figures indicating a growth rate of perhaps 4.5 to 5 percent, substantially better than 1961 when the gross national product barely kept pace with the 3.5 percent population growth. The country still

suffers, however, from a lack of confidence on the part of both local and foreign capital, and this is reflected in a hesitancy about new investment. At the bottom of this lack of confidence is uncertainty about how the Government intends to implement some of its policies which have been stated so far only in general and rather vague terms. One of these policies is described as the "Mexicanization" of industry by which is meant, presumably, majority ownership by Mexican nationals. But many details as to how and when this goal is to be reached remain to be spelled out. Another of these policies is the new law designed to implement the longstanding constitutional provision for profit sharing. But the law is scarcely more specific than the constitution. In general, it seems fair to say that few, if any, business firms have actually been seriously hurt in Mexico, but many of them have expressed concern that they might be hurt.

The other major economic problem of Mexico is found in the agricultural sector where production must increase substantially if the ever-growing number of Mexicans is to be fed. One of the most hopeful Alianza para el Progreso projects in Mexico is a recent loan for supervised agricultural credit. It will be administered through private banks which will relend the money in small amounts at a top interest rate of 8 percent—low for Mexico. To qualify for credit, individual farmers must present evidence of a land title. Thus the program encourages individual landownership rather than the communal ownership of the long-established ejido system. It thereby places the high priority on rewarding individual incentive that has been the basis of success for North American agriculture.

Any report on Mexico would be incomplete without reference to the National University in Mexico City, which plays such a decisive role in the political, social, and cultural life of Mexico. This bustling institution, with its dazzling modernistic architecture adorned by the bold murals of Rivera and Orozco, is perhaps more influential in shaping the intellectual attitudes of the elite groups that shape Mexican society than any other single institution. And its dominant orientation remains Marxist. Next to Cuba, it is one of the most influential Marxist strongholds in the entire hemisphere. The continued Marxist grip on the minds of Mexican university professors and students attests once again to the fact that the ideological basis of communism is its principal attraction for educated groups, not its economic critique. It is for that reason that communism captures the university before the slum.

This is one more reason why more emphasis must be placed on education, on propaganda, on exposing both the elite groups and the public at large to liberal democratic ideas and institutions. I am encouraged that some progress is being made in Mexico. The newly appointed rector, Dr. Chavez, is a friend of the United States and is dedicated to accomplish major reforms within the university. University regulations are now being enacted with the aim of eliminating the professional student. According to these regulations all students will be required to pass exams at the end of each year, thus eliminating those who fail. Prodded by the Government and the rector, some faculties in the National University now encourage the hiring of non-Marxist, United States-trained professors. A group of democratic-oriented secondary schools are preparing selected students to partici-

pate in the student government of the National University, long dominated by Marxists, which exerts great influence on the operation of the university. Both the United States Government and private United States groups are expanding exchange programs, thereby exposing an increasing number of Mexican students and professors to the American society and its traditions.

## II. PROGRESS AND PROBLEMS OF THE ALLIANCE

Latin America needs a new deal. And the United States needs to understand that the changes we are calling for in Latin America—the reforms that we are demanding—will bring in their wake political, economic, and social developments which may not be readily understood or readily acceptable to the United States. We are asking for a peaceful democratic revolution. We ought to understand that such a development is unique in history, particularly in areas where oppression, exploitation, poverty, and discrimination have been an established pattern for many generations. Such a democratic revolution, if it can be accomplished, may bring into power democratic governments that are left of center. In other words, liberal, progressive, and even radical political parties will be in the ascendancy and in power. We should be prepared to see a good deal of disorder, temporary confusion and political disarray as the reforms and changes come about.

We speak of Latin America, but at best it is only a phrase that represents a broad generalization and roughly identifies a geographical area. Actually, Latin America is made up of individual nation states all with their own history, background, and culture, all very different. Therefore, we must face the fact that every country requires special and separate consideration. There is no general program that can be applied universally. Each republic or area has its own peculiar problems, as well as acknowledged assets, and each country must be looked upon as a separate and distinct entity. The use of the term "Latin America" here should not be construed as ignoring this fact.

It also should be recognized that whatever we do in any one country affects what we do in others. The political decisions that we made in any one of the Latin American Republics will be watched by the leaders and the citizens of other countries. Therefore, while on the one hand we must develop programs and policies that meet the specific needs of a particular country, we must also recognize that in the development and application of those policies and programs, we are conditioning other nations and areas and are setting in motion political and economic forces which will affect other areas.

My own conclusions on the progress of the Alliance since it was launched in 1961 and on the problems confronting it at present are discussed below. The list considered here is highly selective, and the reader will note that greater attention is given to the United States activities under the Alliance than to those of the individual Latin American countries. This should not be misconstrued as an identification of the Alliance for Progress and the United States foreign aid program.

The Alliance is not just another United States aid program, but rather a cooperative endeavor by 19 Latin American countries and the United States to enjoy more fully the cultural, spiritual, and material riches available in the 20th century, and to put these within the reach

of full populations rather than only a select few. Its origins and its operation spring from both the northern and the southern half of the hemisphere. Former Brazilian President Kubitschek's Operation Pan America proposal foreshadowed the Alliance by several years. The nations of the hemisphere had voiced approval of the principle of Kubitschek's program for hemispheric cooperation in the Act of Bogotá in the summer of 1960. When President Kennedy announced his proposal in March of 1961 to create "a new Alliance for Progress," his plans were readily and widely acclaimed in Latin America.

Now that the Alliance is in operation it is readily acknowledged that the actions of Latin American countries themselves in achieving the goals of the Alliance are far more important than those of the United States. If more attention is given here to those of the United States, it is because a United States Senator not privileged to spend long periods of time in individual Latin American countries has more solid grounds for evaluating the United States Government operations than those of Latin American nations.

#### ADMINISTRATION OF THE ALLIANCE: UNITED STATES PROGRAMS

Although the Alliance has made progress (to be detailed in a later section of this report) during the past year, it can never proceed at the rapid pace required unless it solves its own problems of administration, both on the United States and the Latin American end. If progress is not made on this front, the Alianza could well strangle on its own redtape and with it the hopes of millions of Latin Americans as well as the prospects for the rest of this century that the United States will be able to count on friends to the southward.

It is silly to think that a program of the magnitude of the Alianza para el Progreso can be carried out without making any mistakes. Indeed, the effort to do so is the biggest mistake of all. The most sterile box score is the one that reads, "no runs, no hits, no errors." A team can survive a few errors if it gets some runs; but no matter how flawless its play, it will surely lose without runs. The Alianza has made a few hits; it has managed to get some men on base. But it badly needs some runs, and it ought to be prepared to take a few chances to get them.

#### PLANNING AND PRIORITIES

The Alianza's administrative problems are threefold. First, there are the problems inherent in any program of aiding underdeveloped countries. These are essentially problems of planning (what are you trying to do?), of priority (which countries and which projects enjoy favored consideration?). In 1961 the members of the OAS agreed that top priority in the dispensation of foreign aid under the Alliance should go to countries presenting carefully designed country development plans. These plans are to be reviewed by the OAS panel of Nine Wise Men and then submitted to the United States and international lending agencies for financing. Four have now been presented: Colombia, Chile, Bolivia, and Venezuela. Brazil's 3-year plan will be presented soon. The United States, the Inter-American Bank, the World Bank, and American and European private investors have responded favorably to the Colombian plan, giving assurances

that the foreign exchange revenues needed for the implementation of the plan will be available through a consortium-type arrangement. These institutions seem to be disposed to give similar consideration to the other plans presented.

Top priority in the channeling of Alliance funds is now being given to these countries. But it does not solve the problem of implementing needed programs in health, housing, education, taxation, and public administration in countries that have not yet developed systematic country plans. While country plans are being developed, pressing needs remain unmet. Foreign exchange crises require budget support loans if shaky governments are to avoid toppling. Governments experiencing great political pressures from underprivileged groups are rarely those most advanced in development planning or in the governmental machinery to implement development projects. The result is that "priorities," even if successfully defined, are difficult to enforce. We must face the fact that short-term impact projects in such fields as health, education, housing, and distribution of surplus food will continue to be necessary in at least half of the countries of Central and South America until the time that they are capable of implementing long-range development projects.

#### SHIFT TO ECONOMIC DEVELOPMENT

Second, there are the problems arising from the fact that under the Act for International Development an abrupt shift in emphasis occurred in the United States aid programs in Latin America. From World War II until 1961, these programs had been essentially oriented toward technical assistance with supplementary hard loan aid from the Export-Import Bank. During these years, the programs built up a cadre of experienced, dedicated, competent technical personnel, wise in the ways of Latin American culture, of how to modernize agriculture, how to eradicate malaria, and how to improve health and education.

Beginning in the summer of 1960 and coming to full flower in the Act for International Development passed by Congress in 1961, the United States aid programs underwent a sharp change in direction. The United States aid program in Latin America reflected the change. For 2 years now, the emphasis has been on long-range development—on economic growth and social progress. With some exceptions, and oversimplifying the matter somewhat, the United States has been trying to run a development program with a machine designed for a technical assistance program.

This raises two further questions:

(1) Can the change from technical assistance to long-range economic development be applied to all Latin American countries?

(2) What kind of organization is required to operate an economic development program?

The experience of the past 2 years indicates that a basic mistake made was not in switching from technical assistance to economic development but in attempting to apply the new economic development formula universally.

United States officials have attempted to apply it to Venezuela, Chile, and Mexico—with good reason—but also to Honduras, Paraguay, Ecuador, and Guatemala—which are at an entirely different

stage in their development. The latter countries at the present time need further technical assistance before any economic development program can ever succeed.

Economic aid to be effective must be used where there is competence in management, skilled workers, and modern business know-how. Capital without the trained people is but a palliative. It yields little or no development. At best, it gives only temporary relief. The United States aid program, and those of other aid institutions participating in the Alliance, must be prepared to gear aid programs to the development level of the various countries in Latin America, not just to those of the more advanced countries. This will require a different balance of technical assistance and capital aid in the Central American countries than in the advanced countries of the southern zone such as Argentina and Chile. Whether technical assistance is obtained through contract with the local government (which is of course preferable) or through direct hire is a factor of lesser importance.

On an allied subject, there is some question about whether the decision to phase out the *servicio* (joint technical institutions in which United States personnel share responsibility for the actual direction of activities in such fields as health, education, and agriculture) was applied in a too uniform manner, again underestimating the difference between advanced and less advanced countries.

#### PERSONNEL

The kind of organization needed to operate an economic development program has been generally recognized. But this recognition has not produced the new kind of organization or the people required to staff it. It requires administrators, managers, economists, loan specialists, business executives, engineers, and public relations men. Some top officials with these backgrounds have been recruited. To implement successfully such a program requires experienced professionals who will remain in the program over a long period of time. We have learned over the past decade that you cannot tackle 30-year problems with 5-year plans using 1-year money. We must learn that the job cannot be done with 2-year personnel—who leave the program 6 months after they have really learned their job. One must not only recruit good men at both the higher and lower levels but must hold them. The Foreign Service has succeeded in this. The foreign aid program has not. I am told that two-thirds of the loan officers experienced in Latin American affairs who were with the Development Loan Fund at the time it was absorbed into AID in November of 1961 have now left the Agency and those who left were among the ablest men in the organization.

The creation of a National Academy of Foreign Affairs and a Foreign Development Service as proposed by the Herter Committee on Foreign Affairs Personnel should go a long way toward providing the trained professional talent required to staff a foreign aid program geared to economic development.

A third factor in administration, closely related to the second, is that at the same time that this process of change from technical assistance to economic development was occurring, the administrative machinery in Washington was becoming even more complex, which is to say more cumbersome and less capable of making decisions, even

wrong decisions. I compiled a dreary collection of notes on questions submitted to Washington in March which were still unanswered in December, on timelags of 18 to 24 months as normal from the initiation of a project on paper to the first disbursement of money to get it underway. One expects some administrative confusion in launching a new program, but much of this is plainly inexcusable, especially in a government which thinks it is good enough to include projects in public administration among some of its technical assistance programs abroad. I for one have never received an adequate answer to the question: "Why does it take a year to decide whether to build a housing project in the Dominican Republic, and then another year to actually build it?" Something is wrong here. If there are not sufficient loan officers or engineers available to review and appraise proposals, more should be hired—and if the law does not permit this it should be changed. If legislation is required, Congress should be informed accordingly. It is understandable why AID officials are reluctant to approach Congressmen. But candor is needed on the part of responsible AID higher officials. Congress should be told what needs to be changed.

#### PROBLEM OF MORALE

All of the above things have combined to reduce the morale of our AID personnel. In view of the barrage of criticism of the old aid agency (International Cooperation Administration) by Congress and the press, it was not surprising that those responsible for achieving the "turnaround" in the aid program from technical assistance to economic development felt compelled to precipitously dismantle the existing organization in the process of constructing the new Agency for International Development. In doing so they shattered existing working patterns and tended to discredit those associated with the aid program in the past. Experienced men, which meant for the most part men associated with the predecessor agencies of AID, were "tainted"—and generally passed over. As always in a reorganization, some of those who survived should have gone and some of those dismissed should have stayed. The overall result of precipitously dismantling the old organization was to shake the morale of the new organization.

Since 1948 there have been 10 administrators of the foreign aid program. The location of the agency has changed almost as frequently as the administrators. Sheer movement of physical facilities all over the city has created chaos and destroyed morale. Movement of files, desks, and partitions has been enough to leave officials in a state of permanent bewilderment. Under two administrations (1953-63) the foreign aid program has been the best example of administrative bungling in the Federal Government. In actual handling of the aid program, both have operated under the assumption that the program is temporary even while claiming to recognize that it is permanent.

Possibly the greatest single factor in weakening the morale of the aid agency is the succession of 1-year appointees as administrator. It is to be hoped that the appointment by President Kennedy of an experienced Administrator known to have the President's confidence will mean the end of the senseless pattern in which 1-year men are expected to do a 10-year job. The knowledge by upper echelon officials that the policy directives they must implement will not be

changed every year will do much to improve their morale and that of their subordinates. The knowledge that the AID Administrator enjoys the complete confidence of the President will do even more.

A related problem which should be noted in discussing the administration of the United States aid program under the Alliance is that of "diffusion of authority" in Washington. Who makes the key decisions on aid matters for Latin America? Where are they made? On the political side in the State Department the locus of decision-making has been fairly clear since the spring of 1962. This unfortunately is not true on the foreign aid side. When the Alliance was first announced, it was suggested that United States programs under it be directed from the White House. This was considered but rejected in view of the formidable obstacles that would result in coordinating them with the State Department. The Alliance aid program was placed with the rest of the foreign aid program in the State Department. Yet it often appeared that the Alliance program was in the State Department and key Alliance decisions were made in the White House. If those responsible for the direction of the Alliance aid program are to stand a chance of success, they must have the authority commensurate with their responsibilities. Effective orderly administration of the Alliance program is impossible if designated Alliance officials cannot make final decisions.

The morale of AID personnel in Washington dealing with Latin America is suffering. In some of the missions abroad it is even worse. There is no more urgent task for the Washington headquarters of AID than to give a sense of confidence and firm policy direction to officials in the field. A good way to start would be to delegate more authority to AID mission chiefs and to ambassadors. If the administration feels a man cannot be trusted, it ought to replace him with a man it feels can be trusted. But it ought not to give men responsibility without authority. By now a large share of the mission directors and deputies should be men chosen by the present administration to implement an economic development program. Greater authority in the field would not only improve morale; it would also go a long way toward unsnarling administrative delays. Large development loans must of course be reviewed by Washington, but decisions on many smaller projects could be easily taken by the Ambassador and the mission director. The dollar level for decisions referred to Washington should be raised sharply. Once a country plan is approved, considerable discretion should be accorded ambassadors and mission directors. In discussing programs with ambassadors, all insist there is too little administrative flexibility, too little discretion. If everything must be referred to Washington, the result will be endless delays in carrying out the program.

Since mission directors are the representatives of the United States Government in the field, it is essential that they understand the thinking of their Washington superiors and enjoy their confidence. This understanding and confidence will ordinarily be gained through regular consultations in Washington, during which directors meet individually with the AID Administrator and the Director of the Latin American region. Ready access to one's superiors in Washington is essential. I am encouraged to hear that the new AID Administrator places a high priority on regular meetings with aid mission directors. The rapport thus gained not only enhances morale of the higher officials but of the entire organization under them.

The problem of "morale" is an elusive one. All agree that it is important, but few can accurately define its ingredients. If it is emphasized repeatedly here, it is for one reason: If morale is good, you can recruit and keep good men. If it is bad, you cannot. The Foreign Service has it, the aid agency does not. An account of a recent event in one of our Latin American missions indicates how the current system tends to perpetuate low morale among aid officials in the field. At the inauguration of a new president a number of dinners and receptions were given by the United States Ambassador for the visiting delegations and local officials. At the Ambassador's reception for 350 guests, one aid official was present. At a black tie dinner for 50, not one aid official was present. At a second dinner for 25 given by the counselor of the Embassy, not one aid official was present. They were simply not invited. Why? They "don't count." They have no "status"—though the diplomatic and governmental circles in which they work attach great importance to "status."

Their absence is noted—by all with whom they regularly work. This sort of thing may appear to be a minor—if not trivial thing—but it definitely affects the ability of the foreign aid agency to attract and hold good men and to command respect.

During the past 18 months much effort has gone into recruiting good men to staff the aid program. Many good men have been recruited—but already many of these have left.

#### INTERAGENCY RELATIONS

A further problem is that AID is only one of several agencies in the foreign aid business. Among others are the Export-Import Bank, the International Bank for Reconstruction and Development, and the Inter-American Development Bank. This multiplicity of sources of aid encourages shopping around by recipient countries and appears even to have encouraged competition among the lending organizations. The problem of coordination is troublesome; indeed, in some cases the overall picture presented is one of an uncoordinated patchwork. It is especially urgent that better coordination between the Inter-American Development Bank and AID be achieved.

Progress has been made in informing ambassadors and mission directors in the field on the status of loan applications before all Washington lending agencies. Regular reports are issued frequently, giving United States officials an up-to-date idea of what requests have been filed by the individual country and how they stand.

#### CHARACTER OF LATIN AMERICAN AID

Since Latin America can be considered (in President Kennedy's words) the "most critical area in the world" as far as United States foreign policy is concerned, Latin American countries which have demonstrated a capacity to mobilize their own resources and accomplish needed reforms should be eligible for any or all of the types of assistance which comprise the total United States aid program. They should be eligible for loans for long-range economic development purposes, for military aid, for technical assistance, and aid under the Peace Corps and Food for Peace programs.

It is possible that in emphasizing the need for capital loans for economic development in the United States aid program for Latin America during the past year that full recognition has not been given to the value of the latter three programs, technical assistance, Food for Peace, and the Peace Corps. All three of these programs have a record of proven success. American technical assistance, the basis of the old "point 4" program has assisted countries in advancing to a level where they now can consider long-range development projects. Through the Food for Peace program, millions of children and adults have been able to share in the United States agricultural miracle. A large share of the 92 million people being fed under this program throughout the world are our neighbors of this hemisphere. The Peace Corps is now exporting a unique combination of American idealism and technical know-how and has already made an overwhelmingly favorable impact wherever volunteers are working. I am most happy to note that the emphasis in the Peace Corps program worldwide is now being shifted to Latin America.

There are at least three striking differences which should be noted between those three successful programs (point 4, Food for Peace, and the Peace Corps) and the economic and military aid programs. All three of these involve the outlay of comparatively small amounts of American dollars. All three have an immediate impact upon the recipient country. All three benefit the common people, rather than the elite group. Because they benefit the common people, they have been gratefully received.

Both military and economic aid are expensive—they involve expenditure of large sums of money. In both cases, the impact of the economic aid is usually delayed. There is a long timespan between the agreement to support the building of a dam, an airport, or an industrial plant and the realization of the goal. In both cases, the immediate benefits are often enjoyed to a disproportionate extent by a small minority of the population—by the military, by contractors, businessmen, and high government officials. There is a pressing need for varied types of immediate impact projects which will at least partially satisfy popular demand while long-range projects are being developed. Such programs in education, health, and housing can yield quick, politically valuable, results.

As the Alliance for Progress develops and more and more countries qualify for the above combination of aid programs, the total aid required may substantially increase. The United States must be prepared to face this prospect. If the plans currently being discussed in Brazil to mobilize the resources of that great country are carried through, the United States should be prepared to render the massive assistance required—assistance which would undoubtedly be on a scale similar to that now available to India.

We should prepare to face the fact that the prospect of increasing of our aid program in Latin America may require a careful reevaluation of our aid to other parts of the world.

## III. FUNCTIONAL AREAS OF THE ALLIANCE

## AGRICULTURE

In all of the areas encompassed by the Alliance—agriculture, business, education—we must ask ourselves: Are we truly ready for the changes that we are encouraging? Are we ready for the changes that may very well temporarily cause a flight of capital because of the change in tax laws; changes that will bring into government the more inexperienced and radical elements in the social structure; changes that will basically alter landownership and laws pertaining to investment? These are just a few of the changes that we should expect in any kind of democratic revolution that we seem to be encouraging. I believe that we can tolerate these changes and that in the long run they will represent progress. But we need to condition the American public to tolerate some of the excesses that will undoubtedly come to the surface and some of the demagogery that will accompany the accomplishment of these changes. We must be prepared to bend to the tide of nationalism that is sweeping over the Western Hemisphere, and to give some leeway to the friendly governments who are being pressured by the left or by the extreme right.

It is my impression that although progress has been made in recent years, there is still far too little emphasis placed on rural development in the Alliance programs. This seems particularly true of the Caribbean, Central American, and Andean regions. Progress is being made in extending credit for agriculture and half of the countries of the continent have received sizable Alliance loans for agricultural credit. Cooperatives are being formed in some areas. Programs are underway to open up new areas by building penetration roads. Land distribution under agrarian reform programs is proceeding in certain countries—Venezuela in particular. Colombia and Chile are beginning to make progress in this area.

The importance of rural development can hardly be overstated. Over half of the countries of Latin America continue to spend sizable amounts of precious foreign exchange reserves to import food to feed their populations. This occurs in countries that are primarily agricultural. For the common man in most of Latin America, the key to a higher standard of living in the near future is still an increase in agricultural productivity. In this field the United States has a record of proven performance. We abound in technical expertise in the field of agriculture and the key to success appears to be our ability to secure the widespread adoption of known and proven techniques.

It has now been recognized that the simplistic sloganeering approach to "land reform" does little to solve the problems of Latin America. The ritualistic incantation of fashionable clichés is no substitute for modern machinery, good seed and fertilizer, farm-to-market roads, extensive and supervised agricultural credit, production and marketing cooperatives, modern water and drainage systems, and technical assistance. Productive agriculture requires not only a better distribution of land but heavy investment of funds and skills. North American farms are the most productive in the world because they represent an investment of large resources and technical knowledge. Both are required in Latin America if agriculture is to flourish.

A successful agricultural program will require not only support of programs aimed at providing credit, seed and fertilizer, machinery, and

land drainage, but will require continued technical assistance on a large scale. In the United States this massive dissemination of technical know-how was achieved through the agricultural extension system of county agents. Until some Latin American equivalent of this is realized, it is doubtful that widespread success will be achieved. It is doubtful this can be done on an individual basis. Much of it must be done through cooperatives. The choice in Latin America is between cooperatives and collectivism. Cooperatives provide an opportunity to pool resources and technical expertise.

The importance of a program of supervised rural credit is hard to overemphasize. The Farmers Home Administration loan programs over the last several decades in the United States have clearly demonstrated that where the loan agency works closely with the farmer in working out the planning of the uses of the loan funds, and thereafter follows up with the farmer to encourage an efficient use of those funds, the loans are repaid. They are repaid because the farmer invests his funds wisely and increases his productivity, and it is productivity that should be the primary consideration in the making of agricultural loans.

Such a program of supervised credit requires a well-articulated system of landownership and land title, for if responsibility is going to be placed on a farmer to repay a loan, he must have the incentive of controlling the productivity from his own land.

To aid in establishing an equivalent, United States agricultural technicians will continue to be required in most Central American and many South American countries. They should concentrate on training of Latin American technicians as the United States cannot supply the needs of 19 countries. Hopefully these can be provided on a contract basis with the local governments, thereby avoiding the problems encountered by long-range direct-hire technical assistance programs in the past. But technical assistance as well as capital must be made available, and at once.

#### COOPERATIVES

One of the most hopeful signs in Latin America today is the growth of the cooperative movement. Acting in accord with the directives of the Humphrey amendment to the Foreign Aid Act of 1961, the United States aid program has fostered the growth of cooperatives by obtaining qualified cooperative specialists both in Washington and in the field missions. The program to place a cooperative specialist in each country mission in the larger countries and in each area in the smaller ones is now being implemented.

An excellent example of the progress made during the past year in the cooperative field is the credit union cooperative league in Peru established by Father Daniel McLellan. A year ago the league of approximately 300 independent credit unions received a million-dollar loan from the Inter-American Development Bank to accelerate its credit program in the field of low-cost housing. Today hundreds of loans have been made to low-income Peruvians for the purchase of houses in the cities and the rural areas. All this has been due to the extension of credit by the cooperative to persons that could never dream of qualifying for a loan through normal commercial channels.

Another excellent example of recent progress in the cooperative field is the fishing cooperative at El Farallon in Panama. Here 28

fishermen, under the leadership of officials from CARE, the OAS, and a Panamanian nonprofit business corporation, have formed a cooperative through which their entire fishing operations are now conducted. The cooperative has modern boats, equipped with refrigeration facilities, and the fish are sorted and distributed with the use of modern machinery. The net result of this is not only to raise the income of the fishermen by 50 percent, but to increase the protein consumption in the progressively larger market area.

There is a need of cooperative training programs not only here in the United States, but in the Latin American areas. A successful cooperative requires good management and the trust and cooperation of its members.

#### PRIVATE ENTERPRISE

Among the many criticisms directed against the Alliance for Progress during the past year, none has been more often heard than the charge that private investment has been slighted if not ignored in planning and programing the Alliance. We have heard about the flight of capital from Caracas, Rio de Janeiro, and elsewhere to Swiss banks. We have heard about the loss of confidence by the United States and local investors in the various countries of Latin America as sources for sound investment. The headlines have faithfully and regularly reported on soaring inflation, declining commodity prices, dwindling foreign exchange revenues, and occasional expropriation of foreign properties. The headlines have regularly informed us of all the bad news. The good news, when it is reported at all, is found on the bottom of page 28.

#### RECENT PROGRESS IN LATIN AMERICA

Admittedly there has been a good deal of bad news to report. Private investment is not approaching the annual \$300 million level estimated as the minimum requirement according to the calculations of Alliance officials. Too many wealthy Latin Americans are still refusing to invest in their own countries. United States firms are reluctant to make large new investments. The flight of local capital has to some extent abated and the greater problem now is to entice back the capital that has already left the country. The continuing political instability in such countries as Brazil and Argentina has left the basic problem of inflation unsolved. The uncertainty about the outcome of the 1964 election in Chile and the instability accompanying rule by the military dictatorship in Peru fail to create the atmosphere of confidence that attracts the large new private investments urgently needed.

There is some good news about private investment in Latin America during the past year and it should be noted. In October of this past year, United States and Latin American officials met in Mexico City to discuss the problems of the Alliance. After discussing the problem of private investment with Latin American officials, the United States Coordinator of the Alliance, Mr. Teodoro Moscoso, came to the following conclusion:

It is not too much to say that the facts of development life are beginning to dispel fiction and myth, that Latin American leaders are discovering that the dogmas of yesterday do not fit today's reality. Men responsible for meeting the vast

development needs of their countries find that they can ill afford the luxury of intellectual nostalgia, or of agreeing with those who find romance in the empty slogans of an outdated Left.

I found in my discussions in Latin American countries and I find in my discussions with businessmen here in this country much agreement with the United States Coordinator's conclusion: Two years after the Alliance was launched, Latin Americans have come a long way in learning the truth—the fact that the Alliance will succeed only if it accords a large role to a vigorous system of modern private enterprise. They have come a long way in facing the fact that of the \$20 billion that will be required from abroad for investment under the Alliance program, \$3 billion must come from the United States in private investments. Many now recognize, if they did not when the Alliance was launched in 1961, that the larger share of the investment capital needed for the Alliance must come from private sources, both domestic and foreign.

Where is the evidence for this increased awareness of the crucial role that private enterprise must play in the Alliance? For several recent examples supporting this point, I refer to Brazil. Brazil is not only the largest and most powerful country in Latin America, but a country currently rocked with xenophobic nationalism. As previously noted, its problems of political and economic instability are as formidable as in any large country in the hemisphere. In a much publicized move a year ago, the Brazilian State of Rio Grande do Sul expropriated the telephone properties of the International Telephone & Telegraph Co. One month ago, 1 year after this seizure, the Brazilian Government reached a settlement with the company compensating it for its properties. The president of I.T. & T., Mr. Harold Geneen, with whom I discussed this problem at a dinner I gave in September for United States businessmen involved in Latin America, noted last month the progress that has been made during the past year in impressing upon Latin American governments the importance of fair treatment of foreign investors. He stated in February of 1963 that "this type of equitable solution and continuing government support combined with the contributions of our Latin American friends—as in this case—will mark the reestablishment of a favorable new investment and growth climate for all of Latin America." This in my view is evidence that in crisis-ridden Brazil, some progress has been made during the past year in winning recognition of the need for fair treatment of United States investors by the local government. Whether this represents a temporary gain or a permanent one remains to be seen.

A second example from Brazil, reported in February 1963, is the offer of the Brazilian Government to purchase the assets of the American & Foreign Power Co. at full value. This is another example of fair compensation following the expansion of a foreign government into the utilities field. Both examples also indicate that the trend toward local ownership of utilities and extractive industries is likely to continue, while foreign investors will be welcomed in the manufacturing industries.

Brazil represents a "hard case," represents a country where the difficulties facing the foreign investor are as formidable as almost any

Latin American country. In a number of Latin American countries, the investment climate is far more favorable—such as Colombia, Mexico, and Central America generally. In manufacturing, new investments have been welcomed in recent years in chemicals, glass, textiles, machine tools, and automobiles—to mention but a few of the industries now flourishing in Mexico, Colombia, Brazil, Venezuela, El Salvador, and Panama.

#### FUTURE OF PRIVATE INVESTMENT

In recent weeks we have been told that some European leaders intend to actively discourage further United States investment in Europe, to erect special barriers if necessary to keep out "the Americans." Whether Europe will remain open to United States investors, is an unanswered question. If Europe should pursue such a short-sighted policy, Europe's loss would be the Western Hemisphere's gain. A whole continent remains open to the United States investors—stretching 5,000 miles from the Rio Grande to Tierra del Fuego, from the Mexican border to the Antarctic. By the year 2000, 600 million people will live in this continental area, hopefully to be integrated into a Latin American Common Market. Economic integration has already progressed far in Central America—with the establishment of the Central American Common Market. A start has been made among the larger countries with the Latin American Free Trade Association. Farsighted United States investors will recognize that here is a market equal in potential to the European Common Market that has in the past decade been a magnet for United States investment. The time has come for the investor to look to the South, instead of to Western Europe.

For the foreign investor willing to make long-range investments and willing to cooperate with local businessmen, the opportunities are great. Already European and Japanese companies have recognized this, and United States companies will in the future face the competition of Italian, German, Japanese, Swedish, and Belgian companies. Indeed from some reports, leading Japanese and German firms are swarming all over Latin America in search of investments. Neither political instability nor the absence of certainty seems to worry the non-American entrepreneur. He seems to have a greater capacity for environmental adaptation than many of his American colleagues. I am confident that we can meet their competition—if we realize that now is the time to act.

The pattern for business success in Latin America has already been established—right here in the United States. The United States businessman has a record of unparalleled success in adapting to a changing environment, in combining profitable business ventures with farsighted social welfare programs. In adapting to the changing environment of Latin American countries, American business must only follow the same practices implemented here at home: Support of education, training of nationals for responsible supervisory and managerial positions, sharing of profits, bona fide collective bargaining, opening up stock ownership to the people of the country. In Brazil a prominent and successful businessman told me that American business must expand its stockownership to more and more Brazilians. He said, "Either get naturalized or be nationalized. Become a part

of us instead of using us." His analysis may be prejudiced but it seems to represent the attitude of Latin Americans, rich or poor.

We should be prepared to face the consequences of the political explosion occurring in Latin America—such as the hostile attitude toward foreign investment. While all of these countries realize the need of investment, and particularly outside capital, the strong nationalistic spirit which comes with any program of political and economic reform will undoubtedly be somewhat hostile to foreign investment unless those who invest are willing to share in the ownership of the new plants and capital goods.

In raising the standard of living and encouraging a better distribution of income, they will be serving their own interests because one cannot sell to those without money to buy. In applying this proven formula in Latin America, American businessmen must recognize that if private business is to flourish, disease must be replaced with good health, illiteracy with mass education, and slums with good housing. To achieve this, government must necessarily play a large role. But in fulfilling this role of producing healthy, educated citizens, government will be serving private business as much as the public welfare. The partnership of a strong free government and flourishing private enterprise can be the model for success in Central and South America in the next 50 years just as it has been the pattern for success in North America during the past half century.

#### UNITED STATES GOVERNMENT SUPPORT OF PRIVATE INVESTMENT

The United States Government in the past year has made some progress in encouraging United States private investment in Latin America. In addition to strong representation in the cases where United States companies have been threatened with hostile action, the Agency for International Development has enlarged its investment guaranty program. Another successful program is that underwriting feasibility studies for new projects in a wide number of fields. Following the congressional mandate in the Aid Act of 1961, it has established a special investment guaranty program for housing.

Under the Office of Capital Development and Private Enterprise in AID, the Government is now somewhat better equipped to assist businessmen in guiding investments and obtaining guarantees. But the delays in getting decisions are still too long, much too long. Businessmen quite rightly do not care to wait 18 months to find out if a project qualifies for a guarantee. Here again, as in the loan process generally, the unconscionably long delays must be eliminated.

To promote new large-scale foreign private investment, some system of international insurance may be needed to guarantee new investments. No individual government can supply all the capital needed. But the United States Government, working with European and Latin American governments, could devise a system to guarantee capital lent by private banks to private businesses interested in investing in manufacturing enterprises in Latin American countries. This would follow the procedure now in effect for the housing investment guaranty program under section 224 of the Foreign Aid Act of 1961.

A second mechanism for attracting foreign private investment is now being tried through a consortium-type arrangement worked out by the World Bank and other lending institutions to finance Colombia's

10-year development plan. A "private investment fund" has been established, with participating institutions committed to make available annually \$40 million to be channeled into the private manufacturing sector. These funds will not pass through governmental bureaucratic channels.

Another essential means of strengthening the private sector is through expansion of trade. The private sector of Latin American economics cannot be strengthened unless markets are available for exports, both commodities and manufactured products. The immediate need is to expand trade between Latin American countries—which is now only 10 percent of their total trade. One finds that oil imports into Brazil from Venezuela have declined from 75 to 25 percent. Yet Brazil today imports most of the remaining oil from Kuwait and the Soviet Union, claiming that it lacks the foreign exchange reserves to purchase from Venezuela. According to Brazilian businessmen, the needed reserves could be earned through the sale of manufactured goods produced in Brazil if a market were available for them. Because of existing manufacturing patterns set by large international firms, goods such as automobile parts and other machinery are produced in the United States and shipped to Venezuela, rather than produced by subsidiaries of international firms located in Brazil. To the extent that this is true, United States firms will have to consider increasing the share of products manufactured in Latin American countries for trade with neighboring countries.

One possible way of increasing this intercountry trade would be through the establishment of an export credit system modeled on the United States Export-Import Bank. Such a system might be worked out through OAS members, possibly administered through institutions such as the Inter-American Development Bank and/or through the Central American Bank.

#### EDUCATION

Much progress has been made in the field of education in Latin America during the past year. Nevertheless the broad field of education still is not receiving the attention it deserves. The people in Latin American countries are convinced of this too. The hunger for education is second only to the hunger for food. More money and time should be devoted to developing human resources. One is repeatedly impressed by the fact that the development of human resources is at the core of any process of growth. This is true at all levels. At the upper levels, many of the countries are blessed with an extraordinary collection of bright, well-trained young men, many of them educated in the United States. In El Salvador, a majority of the 15 members of the cabinet were United States educated. But there are not enough highly trained and educated men, and at lower levels the shortage of trained craftsmen is most acute. More emphasis needs to be placed on vocational and technical education for both industry and agriculture. Self-sustaining economic growth cannot be expected in these countries until more of their people acquire skills which will enable them to do something economically productive. Our neighbors must overcome that part of the Spanish tradition which has instilled an aversion to manual labor and a neglect of the importance of vocational skills.

In consideration of loans and investment guarantees to private enterprise, one factor which should be given heavy consideration is the extent to which preservice and in-service training programs are incorporated.

The acquisition of skills required involves the elimination of illiteracy, which in turn requires mass primary education. Illiterates neither make good citizens nor contribute to a developing economy. The Communists have succeeded in reducing illiteracy to very low levels in the Soviet Union, Eastern Europe, and Asia. I see no reason why this cannot be done in the Western Hemisphere. It requires resources—in money and in trained teachers—but it does not require reproducing the American suburban elementary school. The mass of the people need and will be satisfied with simple one- or two-room schools with a teacher equipped to teach basic reading and writing skills. The teachers need not have completed a litany of education courses.

An example of what can be done with sound, simple planning and very little funds was a three-classroom school recently constructed about 1 hour out of the capital city of Honduras, where a self-help school had been constructed at very low cost by the villagers under the supervision of an AID mission representative. This was a well-ventilated, sturdy concrete block structure with concrete floors, an outdoor pump for water, and outdoor sanitary facilities. It was an attractive and easily maintained structure, comparing very favorably indeed with the one-to-two-room schoolrooms which handled a great deal of the primary education of rural United States a generation or so ago. It was a leap forward of several centuries for the Honduran countryside.

The urgency is so great in the less developed countries of the region for a rapid upgrading both of the literacy level and the level of technical skills, that it does not seem practical in many cases to await the creation of an elaborate formal school system, complete with teacher-training institutions, modern classrooms, university-educated teachers, and textbooks for all grades on the United States model. At least for the interim period before a formal public education program can be expanded to include the masses of the population in these countries, some radical innovations ought to be attempted to bring the population of working age up to a satisfactory skill level. There is a sufficient body of experimentation and experience in the United States with the new learning techniques developed by the behaviorist psychologists to encourage some bold experimentation in the Alliance for Progress. Proponents of the new learning methods contend that it is possible to teach basic and even quite complicated skills using a whole spectrum of "teaching machines"—ranging from the most inexpensive of paper-bound booklets up to more complicated audiovisual devices. The Encyclopedia Britannica Schools in the United States have been conducting an impressive demonstration of the speed with which programmed learning can be assimilated by students of all grades and intelligence quotients. I would hope that the Alliance officials would consider these new methods, looking toward a possible major breakthrough in the task of raising skilled levels in a short time.

Even more important than equipping people with the skills needed in a developing economy is exposing both youth and adults to the values and traditions of a free society. This in turn will require that

special attention be given to the institutions and media that shape the minds of the men who shape the society—specifically to the university professors, the teachers, to the textbook writers and publishers, to the writers, journalists, and news media personnel. A good example of progress in this area is the textbook program supported by AID in Central America. For the first time, first- and second-grade children will have modern textbooks published, not by Marxist-oriented presses, shipped in from Eastern Europe, but by pro-Western groups and competent educators. This program could profitably be repeated in over half the countries of the continent.

As noted earlier in the report, Marxist influence in the universities continues to be a formidable problem in most Latin American countries. Progress toward weakening Marxist influence has been made in the past year both by United States groups working in the universities and, more importantly, by organized action of Latin American students and professors. In Venezuela, Peace Corps volunteers have joined the faculties as English teachers in the national universities of Venezuela. In these autonomous enclaves, long hotbeds of Marxist attacks on the United States, the presence of 29 well-trained Americans is beginning to prove effective in demolishing leftwing mythologies and in exposing students and faculties to Western ideas. The stereotype of the American as a “Yanqui imperialist” is being shattered.

If Latin American universities are now giving more attention in their curriculums and facilities to serving the social and economic needs of their society, part of the credit is due American universities. Over the past decade over three dozen American universities have assisted 50 Latin American universities through contracts financed by AID and its predecessor agencies. These contracts are designed to train Latin American professors and graduate students in selected fields, fields having a high priority in the national development effort. Good examples of this are the contracts between Iowa State University in assisting the Institute of Agrarian Reform in Peru, between the University of Chicago in aiding the faculty of economics at the Catholic University in Chile, and between the University of Pittsburgh and Santa Marie University in Valparaiso, Chile, in building a graduate school of engineering.

Strange and alien as it may sound to North American ears, the key to controlling a university in many Latin American capitals is control of the student government. For years, Communists have had free run of universities—have had no competition. The vast majority of students and professors are non-Communist. But through organization Communists have dominated the university scene. It is now being proven that they can be beaten through counterorganization. Marxist influence in the national universities in Chile, Venezuela, and the Dominican Republic is now on the decline because the Christian Democratic student organizations backed by other pro-Western groups, have organized and have won the student elections, thereby gaining control of the student government. In these instances, democratic-oriented groups have matched the extreme leftwing groups in zeal, in organization, and in perseverance—all of which are required to win the intellectual struggle being waged in the universities of Central and South America. In Guatemala and Argentina organization by non-Communist students has resulted in the defeat of Communists in student elections.

We in the United States are beginning to learn what the Communists have learned long ago: that resources invested in wooing and training the future leaders of society, in all fields, will pay high dividends. But our investment is still a pittance—considering the magnitude of the challenge. I for one have never heard a convincing explanation of why we have not launched a massive program to bring Latin American students and potential leaders to the United States for training and schooling. By massive, I mean 10,000 per year. The cost would be less than that of one modest highway loan, and the benefit for United States foreign policy could not be compared.

If the level of our own knowledge of Latin America is to be raised and the required specialists trained, it is essential that regional study programs be established in our major universities. The foundation financial support that has aided in the development of superior regional programs in Soviet, Middle Eastern, Asian, and African studies should now be readily available for similar programs in the Latin American area.

#### THE PRESS

In the field of news and information communication, there are two problems: (1) adequately informing United States citizens on Latin America; and (2) presenting to Latin American readers a reasonable and accurate portrayal of the United States.

There is need for an increase and an improvement in the reporting on Latin America to the people of the United States. The United States reader's view of Latin America is shaped largely by a steady diet of reports of assassinations, war, looting, piracy, political upheavals, and confiscation. Violence is reported in full, but too little is reported on the underlying causes.

The paucity of news on Latin America reported to the people of the United States is shocking. A recent study sponsored by the Center for the Study of Democratic Institutions revealed that of the reports of a major news service, 20 percent was devoted to foreign affairs and only 1 percent was devoted to Latin American countries. The figures may have increased since the Cuban crisis. But the amount of news on Latin America offered in the United States still falls far short of what we could reasonably expect on the basis of the critical importance of developments in Latin America and its closeness to the United States. The people of the United States cannot be expected to understand Latin America adequately unless they are given more news and information about it through all of our media.

As noted earlier, considerable progress has been made during the past year by USIA in presenting a favorable picture of the United States to citizens of Latin American nations. But in the daily press of many Latin American cities, the portrayal of the United States as the "Yanqui imperialist" is continued—or at least goes unchallenged. In some areas and cities, the only newspapers available to the public are bitterly anti-American and often infiltrated by Marxist writers and reporters. The work of USIA and of all other methods of communication is all the more important where there is no publication willing to give reasonably balanced reports of the United States and United States policy.

## CHANGING ROLE OF THE CHURCH

One of the most hopeful signs in Latin America in recent years is the renaissance of the Catholic Church and a new awakening on the part of the church leaders to the shocking social and economic problems of the continent. Since the meeting of the Latin American hierarchy at the Eucharistic Congress in Brazil in 1956, church leaders have begun to sharply focus attention on the social injustice perpetuated by the traditional indifference of the privileged classes to social and economic problems.

Today in Chile, Panama, Venezuela, northern Brazil, Argentina, and Colombia, members of the hierarchy are actively pushing the reforms stipulated under the Alliance Charter. Whereas formerly the active espousal of progressive social and economic policies was largely confined to religious orders like the Maryknoll priests or to isolated pastors, today they are supported by occupants of metropolitan sees.

The farsighted social and economic philosophy of Pope John's recent social encyclical "Mater et Magistra" is being strongly pushed by the Vatican. Men who once would have been "promoted" to mountain parishes for their "advanced" views are now being appointed bishops and cardinals. Efforts are now being pursued to extend the programs in education and health in which the church has long been involved to the mass of the people.

An excellent indication of the change taking place in the church in Latin America is found in the pastoral letter on "Social Reform and the Common Good" issued in November, 1962, by the 24 Roman Catholic bishops of Chile. The pastoral letter scathingly criticized existing social and economic abuses, deplored the inequality in distribution of incomes, and called on the Government to extend and speed up its reforms and its social welfare programs. Offering its own example, the church in Chile is now redistributing most of its own lands to local peasants.

Further examples of this new direction in the church are found in northeast Brazil where Bishop Sales has organized peasant leagues as an alternative to the leagues of the leftwing leader Juliao; in Colombia where Monsignor Salcedo has achieved remarkable success in promoting rural education through a radio network; and in Panama where Bishop Mark McGrath is challenging local leaders to face up to the shocking injustice of prevailing economic and social conditions.

Closely related to the new orientation developing in the church is the growth of the Christian Democratic movement in Chile, Venezuela, the Dominican Republic, Brazil, Argentina, and Panama. Although currently electorally strong in only two countries, Chile and Venezuela, these strongly reformist pro-Western parties have growing strength in university and labor circles. Such leaders as Eduardo Frei and Radomiro Tomić in Chile and Ralfael Caldera in Venezuela can be expected to play an increasingly significant role in providing leadership for progressive democratic forces in Latin America.

## LABOR

Throughout the Central American area, as well as Mexico and Venezuela, progress has been made during the past year in the field of labor. Mexico is a good example. Through our labor information officers assigned to USIA, we are now reaching the

trade union movement in Mexico. One reason why we are now being effective is because we are using experienced union men. Five of the nine labor information officers now serving in Mexico City have a union background. These men have earned the confidence of Mexican labor leaders and now are beginning to make an impact in a labor milieu long dominated by Marxist-oriented groups. Some progress can also be noted in the training of Latin American labor leaders in this country. Through the American Institute for Free Labor Development, hundreds of labor leaders are now being brought to the United States for training. This is an excellent program, but can handle only a small fraction of the total number of leaders eligible. Much more needs to be done in this crucial area.

In implementing our labor policy, we must have a flexible policy adaptable to different countries. In some areas the ORIT—the regional organization of inter-American trade unions—has considerable following and is able to give strong leadership. This would be true, for example, in Mexico, the Dominican Republic, in Venezuela, El Salvador, and Peru. However, in countries such as Chile, where the Christian Democratic movement is very strong, as well as the Socialist Party, the ORIT would have little influence. There we would have to work through other established free trade union organizations. The same would be true in Brazil and the Argentine. Even in the areas of organized labor where unions belong to great international organizations, there is no set pattern that can be used. We have to study each country and each labor movement and understand the politics of each country and the relationship of the AFL-CIO in the United States to the respective labor organizations in the several Latin American republics. Also, we need to realize that when we encourage honest free trade unionism that engages in effective collective bargaining, this means raising wages and improving working conditions. This automatically puts us at odds with some of the wealthy groups or the ruling elite. It even may cause some difficulty with our own U.S. investors. This is a risk we must be willing to take. We should continue to emphasize the development of free trade unions, and be prepared for some of the backlash that will come.

#### COMMODIFY STABILIZATION

Clearly the most important action in stabilizing declining commodity prices is the International Coffee Agreement negotiated in 1962 and now before the Senate for ratification. The chief purpose of the agreement is to prevent the price of coffee from declining below the general 1962 level, or 34 cents a pound for the most common Brazilian grade. When one compares this with the 79 cents received in 1954, one can easily understand why \$5 billion in foreign exchange revenues has occurred in the past 5 years alone.

The Coffee Agreement, which I strongly support and expect to be passed by a large majority in the Senate, is designed to assure price stabilization by establishing export quotas for producing countries. These are to be accompanied by production control programs in producing countries. The United States contribution lies in encouraging a high level of coffee imports by maintaining the current tariff-free system and in assisting in enforcing the export quota system. I am confident that our Latin American neighbors will have the strongest support of the United States Government in achieving this end.

Our support of commodity stabilization agreements should not deflect our Latin American friends from squarely facing the need for diversification of their economies. Economic stability is impossible so long as their exports are tied chiefly to one or two commodities in surplus supply in the world market.

#### VOLUNTARY ASSOCIATIONS

I have long been a staunch advocate of emphasizing the people-to-people approach to foreign aid, of channeling aid through voluntary associations to the greatest extent possible. In Latin America there is a vast array of voluntary groups, made up of both foreign and United States citizens. These agencies are often closer to the people at the grassroots level than those in official governmental positions.

In Latin America today much of the success of our Food for Peace program is due to the tireless efforts of the two voluntary agencies that handle the distribution of the food under Public Law 480, the Catholic Relief Service and CARE. They are largely responsible for our success in sharing American agricultural bounty with the 30 million Latin Americans who now regularly receive food under this program.

An excellent example of a voluntary organization cooperating effectively with the United States Government is the success of Project Hope in bringing the miracles of modern medicine to thousands of persons in Peru. Assisted by a modest subsidy from AID, Project Hope during the past year trained hundreds of doctors, dentists, nurses, and medical technicians, in addition to treating 46,000 patients. During a year when official United States-Peruvian relations were sorely strained, the presence of the ship *Hope* did much to win sympathy and respect for the United States. When the ship departed on February 28, 1963, 40,000 Peruvians lined the pier for hours to bid farewell—a resounding triumph for the United States.

I believe that the role of voluntary agencies in the Alliance should be enlarged, that support by our foreign aid agencies to voluntary programs should be increased. I am aware that many aid officials do not share this view. Quite candidly one of the major problems is the reluctance of some officials to work with voluntary groups connected with religious organizations, which in Latin America means the large majority of existing organizations. It is merely commonsense that if we are going to work with Latin Americans we must work with what is "there," with existing institutions and organizations. Aid officials are properly sensitive to public and congressional criticism for assisting these programs and must take special precautions that aid distributed through voluntary organizations is strictly on a nondiscriminatory basis. If this is done, foreign aid officials need not fear the loss of the support of those in Congress who have been responsible for the passage of continued large annual aid appropriations, or of the majority of the American public that has regularly and faithfully supported the foreign aid program.

#### OPPORTUNITIES FOR INTER-AMERICAN COOPERATION

I am encouraged to note that individuals and groups in the United States are becoming increasingly aware that American participation

under the Alliance cannot be limited to assistance through the Federal Government. Now individual cities and individual States are taking the initiative to cooperate with Latin American cities and countries in various social and economic projects. Every American city ought to have at least one sister city in Latin America. This is exceedingly important. I note with satisfaction that California has recently announced that it is exploring ways to cooperate with Chile in solving problems which have confronted both. The same should be done, and by professional organizations in this country working with their professional counterparts in Latin America, and by municipal government and State government groups in both North and South America.

And the State Department through its leadership grant program or through the cultural exchange program ought to back up and support this effort financially and otherwise.

In our relationships with Latin American countries, we need to do more in terms of contacts with the legislative bodies, both at the State and National level. I, therefore, recommend that the program which has now been underway for several years with Mexico of the exchange of congressional delegations be expanded to other countries. Every Member of the Senate could be included in this program. There is no need for certain Senators to monopolize the opportunity of the exchange with other countries. For example, if 10 Senators are used for the Mexican trip, another 5 or more could go to Venezuela, another group to Brazil, etc. This could be, of course, augmented by Members of the House.

#### HOUSING

As indicated earlier the United States is strongly supporting private enterprise in the housing field through a special housing investment guaranty program. The \$60 million allocated to cover this program is already oversubscribed. One of the first measures Congress should take in considering the 1963 foreign aid bill is to double the allocation for this program. The program is excellent in conception but again has been delayed in its implementation. The division of AID administering it must be strengthened to eliminate the long delays that have occurred during the first year of the program.

Last year it was announced that United States activities in the international housing field would be aided by the establishment of a high-level International Housing Advisory Board. To date the members of this Board still have not been appointed.

#### COMMUNITY DEVELOPMENT

I am encouraged by the progress being made in several of the Latin American areas in the field of community development. Venezuela is a good example. Venezuela has one of the best urban community development programs on the continent. Supervised by the Minister of Health, the rural housing program is wholly integrated with the rural education program. In a visit in 1962 to a village development near Valencia, Venezuela, we saw a striking example of very low-cost, self-help housing being erected with great gusto and enthusiasm. Not only were there sanitary facilities and running water in each house,

but a community school was being built concurrent with the construction of the houses, and a social worker from the Ministry of Health was assigned to work with the villagers in the establishment of sound and efficient ways of living together. There was an admirable mixture of credit, technical assistance, sound planning, and followthrough that could serve as a model for rural village development in any Latin American country.

In a number of countries Peace Corps volunteers are now engaged in community development work, both in rural villages and in large cities. In Bogotá a group of 100 volunteers are working on a large urban community development program in cooperation with Colombian counterparts, specially trained in New York City for this project. It seems clear that the community development techniques which achieved remarkable results in the Philippines and India under the foreign aid program can be profitably used in furthering social progress under the Alliance.

#### USING RESOURCES OF FEDERAL AGENCIES IN THE AID PROGRAM

It has long been my view that the foreign aid program should draw heavily on the technical resources of existing Federal agencies, rather than attempt to duplicate them within the foreign aid agency. In 1961 I introduced and the Congress passed the Humphrey amendment to the Foreign Assistance Act, stipulating that Federal agencies with primary responsibility to certain domestic fields may be called on to support AID programs with their own resources in these fields. I believe progress has been made during the past year in implementing this amendment. I am especially pleased with the response of the Department of Labor, which reflects, I believe, the acceptance by the American labor movement of a larger role in promoting free trade unions in Latin America.

#### IV. ECONOMIC INTEGRATION: CENTRAL AMERICA

One of the most promising movements toward economic and political integration is taking place today in Central America. The progress of the six small Central American republics to achieve economic and political integration is especially gratifying in view of the minimal progress made by the countries of South America in achieving integration through the Latin American Free Trade area. President Kennedy's trip to San José in mid-March to confer with the Presidents of the six Republics is a grand gesture of the support we are giving to the integration movement.

In the last 2 years, five of these countries, Costa Rica, El Salvador, Honduras, Guatemala, and Nicaragua have accepted membership in a Central American Common Market to promote regional trade. The same five have established a Central American Bank in Tegucigalpa, Honduras, to promote economic and social development in the area. It is expected that Panama will join both of these institutions in the near future.

Taken separately, these five countries are small and economically and politically vulnerable. In total area they are together as large as Venezuela or France and if properly developed can readily support their growing population. Considered individually, rapid population growth of 3 to 4 percent imposes grave pressures on countries like

Costa Rica and El Salvador. Taking the resources of the region as a whole, they are capable of absorbing this rapid population growth.

The Caribbean area badly needs political stability and economic progress. All of the above countries except El Salvador border on the Caribbean. When united under strong political leadership, these countries can become a bastion of stability in a troubled Caribbean.

What specifically is being done to achieve this desired economic and political stability? To answer this question, it is worth while to examine briefly two principal regional institutions which are now promoting the integration of the area, the Central American Common Market and the Central American Bank.

The Central American Common Market was formally established in December of 1960. Under the law of establishment, the General Treaty of Central American Integration, member nations (Guatemala, Honduras, El Salvador, and Nicaragua; Costa Rica has since joined) agreed to bring into full operation within a period of 5 years a Central American Common Market. This market will allow free movement of goods, capital, and people among member states and will establish a common external tariff on goods from other countries. The treaty itself eliminated tariffs and quotas on all but a small number of items produced in the member countries.

Today, only 2 years after the establishment of the Common Market, about half the value of the trade among these countries goes duty free, and restrictions upon the remainder are scheduled to be removed by 1966. Intraregional trade has increased over the past decade from 9.7 million in 1951 to 37.4 million in 1961. Between 1959 and 1962 intraregional trade increased from about 3½ to 6½ percent of the total international trade in Central American countries. Today the five countries have also negotiated a common customs tariff for 90 percent of their imports from abroad and have this common tariff into effect for 60 percent of their total imports.

The existence of this regional market offers not only great promise for economic and social development in the area, but also great opportunity for United States investors who wish to cooperate in the development of regional resources. United States firms are very much aware of the business opportunities in the European Common Market area. In the last decade, hundreds of United States firms have invested millions of dollars in industries which already or will soon have continental Europe for their market. Although the Central American area is much smaller than continental Europe, it is nevertheless large in territory and potentially large in population. By the year 2000 according to the current population trends, it should have over 40 million people. This is a great opportunity to capitalize on a profitable investment and at the same time contribute American technique and know-how to developing economies of our Central American neighbors. This opportunity is all the greater in that the Common Market which is now being formed in Central America may someday be extended to all of South America.

#### CENTRAL AMERICAN BANK

The second major institution promoting economic and political integration is the Central American Bank for Economic Integration, which began operations in September of 1961. It is the principal

financial institution, and its purpose is to promote economic integration and the balanced growth of the member countries. The united capital of the Bank, \$20 million, was contributed by all member states. This has now been supplemented by \$3 million in grants and \$5 million in loans from the Agency for International Development. A further loan of \$10 million from the Inter-American Development Bank is expected to be approved soon.

The Bank has its headquarters in Tegucigalpa, Honduras. It is headed by an able Nicaraguan, Enrique Delgado, who is providing effective leadership in the difficult beginning years of this venture. At the present time the Bank is particularly interested in improving the communications system of the area, particularly the highway and telecommunications systems. It is also helping to finance new industries or expand existing industries. Because it is only recently founded and has limited capital, it has not gone heavily into the social field, into the fields of health, housing, and education, which urgently require attention in Central America.

The Bank is giving top attention to interconnecting the highways and communications systems, electric power systems of the region, to sharing the industrial and agricultural planning of the region. We Americans have no idea how urgent this need is. In these little Republics some roads will run out from the capital city up to a national boundary and end. The Economic Commission for Latin America has proposed and the Central American Bank is now supporting the proposal to connect the roads between the capital cities of the six Central American Republics. It is estimated this effort will cost \$10 million, a small sum to produce a network of highways that will permit commerce and communication between the capitals of the six countries. The Bank also hopes in the near future to finance the establishment of a unified coordinated railroad system along with uniform gage rails to permit regional rail transportation. The core of the communication facilities in Central America is wholly inadequate. With no decent telephone communication between capitals of the individual countries, to call from San Salvador to San José, which is less than 45 minutes by plane, it is essential to go through Miami or New York.

In fulfilling its obligations in the Alliance for Progress, the United States should give top priority to this effort to achieve regional integration in Central America. I am happy to say that AID and the State Department recognize both the importance of the integration movement and the actual accomplishments made in Central America. The United States Government has cooperated with Central American governments in setting up both the Common Market and the Central American Bank. It has offered the services of United States advisers and technicians. More recently, it has contributed sizable sums in both grants and loans to the Central American Bank.

#### REGIONAL AID MISSION

In order to deal with Central America as a unit, the United States has established an AID mission known as ROCAP (Regional Office Central America and Panama) with headquarters in Guatemala. It maintains close working relations with the Central American Bank for Economic Integration in Tegucigalpa, with the Permanent Secretariat for the Treaty of Central American Economic Integration in

Guatemala, with the United States AID missions to the individual countries in its area, and with a variety of regional organizations which have been created to deal with the specific problems. There is, for example, a regional council on higher education which is working on the sound premise that better universities will be attained at less cost if one good veterinary school is established here, one good law school there, etc.

ROCAP is only a few months old, and its precise relationship to the United States country missions and to Washington has not yet taken form, but its general role is clear: It is to use the AID program as a means of encouraging the Central American economic integration movement. Similarly, the basic role of the Central American Bank for Economic Integration is clear: It is to use credit as an instrument of encouraging the movement. ROCAP has able leadership, it has the strong support of the United States Coordinator of the Alliance for Progress, and it has been well received by Central American leaders. In the allocation of United States funds under the Alliance for Progress program, this regional mission should receive high priority.

It seems to me that there is also a role for ROCAP to play in bringing about a greater coordination of the activities of our own country AID missions. There is a steady flow of communications between each of these missions and Washington, but apparently very little communication among the missions. In one country I visited, for example, the Education Minister was miffed because our AID mission there was building cheaper, simpler schools than our AID mission in a neighboring country. The variety of techniques used in housing programs is almost as great as the number of countries in which we have such programs. Local conditions vary sufficiently so that it would be foolish to attempt to achieve complete uniformity. But at the same time local conditions are enough alike so that what is learned in one country has some relevance in another. There ought to be more regional conferences and seminars where AID personnel could discuss mutual problems and exchange ideas and experiences.

As it is our policy to promote integration in Central America, United States diplomats and aid officials assigned to Central American countries will be expected to endorse and promote this aim. If the regional mission, the regional bank, and the Common Market are the instruments chosen to achieve this goal, then United States officials should support them.

#### ESTABLISHMENT OF NEW REGIONAL FUND

Our problem is to decide how we can best help our friends in Central America "hurry up" with the good work they are doing. There is general agreement in the United States Government that the efforts toward economic integration in Central America must have top priority in United States foreign aid under the Alliance for Progress. We must find a way to translate this priority into action.

Two years ago, when the Inter-American Development Bank was established to promote economic and social development in Latin America, the United States made a special contribution of \$394 million to establish the Social Progress Trust Fund. During the first 2 years of the Alliance for Progress, dozens of projects in the fields of health

housing, education, water and sewage, and agriculture have been financed through this Fund. The Social Progress Trust Fund has been administered by the Inter-American Development Bank which has achieved an enviable record in accomplishing rapid approval of projects submitted. This was a bold gesture on the part of the United States to speed up the process of social development in Latin America. I believe it has been a success.

I believe the time has come for another dramatic gesture by the United States—this time to accelerate the efforts now being made to achieve economic and social development in Central America. I propose that the United States offer to make available immediately up to \$50 million toward the establishment of a Regional Integration Trust Fund to be administered by the Central American Bank. Because of the preference of some countries for bilateral aid, the decision on whether to accept the offer would be made by the governments of the participating countries. It should be discussed at the meeting of Presidents next week in San José, Costa Rica. The purpose of the fund would be to initiate new projects and accelerate those now underway that contribute most directly toward economic and political integration. The latitude given to the Central American Bank would be wide, and it could include support of road and railway networks, telecommunications, and electric power facilities, as well as regional projects in the fields of health, education, and agriculture.

There are two principal advantages that should result from the establishment of such a fund:

First and most important of all, it should hurry up the process of economic and social development by hurrying up the processing of project applications. It should shorten the time between the date of application and the date a health, housing, or highway project is actually begun. This is one way to circumvent the excessive administrative centralization which has resulted in fantastic delays in the approval of Alliance for Progress projects. If we are to quicken the pace of the Alliance, the administrative machinery must be decentralized. This is one place to start. Under this proposal, decisions can be made in Central America, at the headquarters of the Central American Bank in Tegucigalpa, Honduras. They can be made where the projects will be implemented and the delays caused by sending cables and officials back and forth from Washington can be cut out.

A second important advantage of this proposal is that it maximizes the role of Latin Americans themselves in the actual operation of the Alliance for Progress. The Alliance has been too often regarded as just another United States aid program, administered in Washington by North Americans. If we are to convince the people of North, Central, and South America that the Alliance is a cooperative endeavor, then Latin Americans must play a greater role in its administration. This would represent one step forward.

## V. CUBA AND THE ALLIANCE FOR PROGRESS

The Alliance for Progress was launched as a cooperative effort to promote social and economic progress in the nations of Latin America, and to make the fruits of this progress available to all. The achievement of these goals is expected to result in the preservation of free Western-oriented societies, ruled by representative governments re-

sponsive to the will of the people. To the extent that these goals are achieved, the Communist option for developing and governing a society becomes less appealing. In this sense the success of the Alliance for Progress does in the long run thwart the spread of communism in the Western Hemisphere.

The following discussion of the Cuban issue reflects the conversations held with numbers of Latin American leaders in the Caribbean and in South America. It should be recognized, of course, that differences exist among Latin leaders on this question.

In the case of Latin America today, there is an immediate problem which must be distinguished from the long-range economic and social problems which the Alliance is designed to solve. This is the problem of the external Communist threat from Cuba, backed by the Soviet Union and China. Cuba by itself is not a military threat to the United States, but Cuba as an extension of Soviet military power is a threat to our security. The Cuban threat to Latin America, however, is not mythological but real. In the immediate sense, it is not economic, but primarily political, propagandistic, and paramilitary. The threat arises from the fact that Castro's Cuba, backed by the Soviet Union and China, has become a forward base for the subversion of the hemisphere. It is now a base for indoctrination and training of hundreds of Latin Americans, including training in sabotage, terrorism, and guerrilla tactics. The threat is magnified by the fact that the aroused peoples of Latin America are pressuring their governments to meet basic social and economic problems that have gone unsolved for centuries.

According to Assistant Secretary of State Edwin Martin and CIA Director John McCone, over 1,500 Latin Americans were trained in Cuba alone. Cuba supplies covert material support, largely financial, to subversive groups. It is the base for an intensive propaganda campaign using printed materials, news services provided by *Prensa Latina* and powerful radio transmitters. In disseminating this propaganda, it cooperates with front organizations in Latin American countries in the form of friendship societies or committees for the defense of the Cuban Revolution.

This systematic attempt to subvert democratic governments in Latin America is best seen in the case of Venezuela. Venezuela is today the number one immediate target of Castro-Communist subversion because the Alliance for Progress is succeeding there. It is the immediate target because the subversion of Venezuela with its huge resources of oil and iron would provide a springboard for the penetration of the entire South American Continent. It could convert the Caribbean into a Communist sea. The United States has now made it clear that these attacks on Venezuela must not be permitted to succeed. They must be repelled—regardless of cost. Venezuela has top priority for United States support.

From Cuba, the Communists have unleashed a continual torrent of intimidation, violence and terror in Venezuela. It is no surprise that of the 1,500 persons from Latin America trained in Cuba in 1962, the largest number have been Venezuelans. These young men have received a heavy dose of indoctrination in Castro-Communist ideology and guerrilla warfare. They have reported that they go through simulated offensive and defensive guerrilla exercises, are taught how to survive in the jungles, are given map and weapons

instruction, as well as other training that every good guerrilla should have. The recent burning of the Sears, Roebuck warehouse, the sabotage of the Maracaibo oil installations, and the pirating of a Venezuelan ship are all a part of a pattern of violence and subversion.

#### NATURE OF THE COMMUNIST THREAT

Venezuela has withstood attacks from the radical right and Communist conspirators because its democratic government has been capable of defending itself against armed attack from within and because its action programs in economic and social betterment command popular allegiance. It has equipped itself, with generous support from the United States, to combat the armed attacks, dynamitings, street riots, assassinations, bombings, and plain murders that are a part of the strategy announced by Cuban Minister of Industries, "Che" Guevara, in a recent interview with the Havana correspondent of the London Daily Worker:

The Cuban Revolution has shown that in conditions of imperialist domination such as exist in Latin America, there is no solution but armed struggle.

It is obvious to the Betancourt government and to the United States that to cope with such attacks, economic aid alone is not effective immediate help. Meeting the threat requires measures which are primarily paramilitary, political, and propagandistic.

It requires men trained in riot control, counter guerrilla operations and tactics, intelligence and counterintelligence, public information, psychological warfare, and counterinsurgency units. It requires United States assistance to Venezuela and other Latin American governments in giving to selected Latin American personnel training of the type now being offered at United States military schools at Fort Bragg, N.C., and in the Canal Zone. It requires the public safety programs now being supported by AID.

All of these programs are designed to provide a shield of security behind which the Alliance for Progress can develop. They are essential to repulse the immediate threat to the stability and internal security that are necessary if the long-term Alliance for Progress economic programs are to succeed.

In considering the Communist problem in relation to the Alliance for Progress, we must therefore always bear in mind the distinction between the two salient strands of the Communist threat in the Western Hemisphere: (1) the appeal of the Communist economic model as a solution to the economic needs of impoverished people; (2) the attempt of a Communist regime (i.e., Cuba) and Communist groups within Latin American countries to subvert non-Communist governments through armed attack, internal terror and sabotage, and propaganda.

One cannot meet the appeal of the first with solutions appropriate only for the second. The economic threat cannot be met by military solutions—but rather by the programs which fall under the Alliance—effective mobilization of resources and accomplishment of reforms by local governments, combined with United States help in the form of foreign aid loans, Food for Peace, the Peace Corps, and technical assistance. The security problem cannot be met alone by the above economic programs, but by the political and internal security measures

described earlier. The subversion and terrorism problem requires specific political and internal security measures. Violence and subversion in Latin America cannot be defeated by relying wholly on the elimination of hunger, poverty, and disease.

Unless we move to meet the immediate problems of terror and violence, the Alliance programs for healthy mothers, literate children, and highly paid workers in the Peruvian Andes will fail. Similarly, no amount of military hardware or trained guerrillas alone will solve the fundamental long-range social and economic problems of Brazil.

In dealing with the Communist challenge in Latin America, we must recognize that the "approach" and tactics of Communist parties vary from country to country. In a country like Chile, where the Communist Party is strong, it operates through the normal constitutional channel—cooperating in a popular front movement. In Venezuela, where the party is small, it practices terror, intimidation, guerrilla warfare tactics, and outright violence—attempting to carry out its mission through the processes of disorder and confusion. In Mexico the approach is much more subtle. The party works actively in the universities and labor federations. It also works patiently in the back country, concentrating on capitalizing on the rising discontent in the rural areas.

#### U.S. POLICY

The United States has made it clear that our policy is to eliminate the Castro-Communist government. The Cuban satellite will never be permitted to gain the status of an Eastern European satellite—tolerated for "the time being." Here the commitment itself is more important than the particular means and methods chosen to implement the commitment.

At the same time, it is important that throughout Cuba and all Latin America it be clearly understood that we want the Castro-Communist tyranny to be replaced with a progressive government, that we will not tolerate a rightwing dictatorship. A Cuban Government dedicated to political liberty and economic and social reform will have the firm support of the United States, just as the progressive Government of Venezuela does today.

We must emphasize again and again that the United States is interested in the welfare of the Cuban people. Although our Government has placed high priority in getting this message to Cubans themselves (and was particularly successful at the time of the Cuban crisis in October 1962), a good share of the American public has been so preoccupied with the Castro military threat that it has given too little thought to consideration of a program for post-Castro Cuba. Our goal must be a free Cuba participating in the Alliance for Progress; working to achieve economic progress, better health, housing, and education, as well as political liberty.

Latin Americans are acutely aware of being under attack. They sometimes express the feeling that North Americans are mesmerized by Cuba as a military threat, whereas they feel the real war with communism goes on year after year at every level of activity. They are concerned about the young Brazilian who returns from the Soviet Union, Cuba, or China to enter the journalistic profession as they are about the young Peruvian who comes back trained for guerrilla warfare in the Andes.

In describing the degree of infiltration of Communist-trained opinion-makers into the press, radio, and TV and other areas of Latin American life, a perceptive Brazilian concluded that over the past decade Latin American Republics had already received the "billionth bullet" in the Communist assault.

Our Latin American friends rightly remind us that the Communist problem existed in Latin America long before Castro came to power in Cuba. The Communist Party has been operating in Latin America for decades, and the threat of communism has been growing because the shocking economic and social problems in so many of these countries have gone unsolved.

Even if Castro and communism should be removed from Cuba, this would not eliminate from the Western Hemisphere the problems of Communist terror, subversion, and psychological warfare in many countries, nor solve the many pressing economic and social problems that plague vast areas of Central and South America. We must keep in mind that Cuba, however important, is only a part of the total problem, part of the total challenge we face in Latin America.

If the Alliance for Progress is to succeed in meeting the staggering problems of poverty, illiteracy, maldistribution of wealth, and economic stagnation in vast areas of Latin America, we must administer and support the Alliance with the same sense of urgency that presently motivates our thinking about Cuba.

We are obligated to take note of the differing attitudes toward Cuba among Latin American countries. The governments of the countries on the South American cone, plus Brazil and Mexico, will continue to be under strong pressure from well-organized leftwing groups to oppose firm measures against Castro. Most Latin American leaders in the Caribbean area on the other hand will firmly support a strong policy. In my conversations with leaders of the Caribbean countries, I was repeatedly told that Castro has lost much of the popular appeal that he may once have had, and that public opinion regards his government now as a dangerous menace to be eliminated rather than as a model to be copied. Caribbean leaders are eager to take measures to curb the use of Cuba as a base for subversion. They are eager to take measures to see Cuba liberated. But they look to the United States for leadership. As the Chairman of the OAS Council, Ambassador Gonzalo Facio, of Costa Rica, stated on February 24, OAS members can take certain measures against Cuba, but major policy decisions must be initiated by the United States. "In matters of the cold war," he said, "\* \* \* the OAS can only play a secondary role \* \* \*." I am hopeful that the guidelines for a common policy on Cuba will be agreed to in San Jose at the meeting of the Presidents.

In implementing such a common policy toward Castro-Communist Cuba, we must recognize that our leaders require wide latitude in choosing means, tactics and timing. The national interest is not served by emotional and flamboyant public speeches, but rather by cooperative planning, cold reckoning, and persistent action to solve the Cuban problem.