

AN ABSTRACT

of

THE ALLIANCE FOR PROGRESS: AN INVESTMENT IN
NATIONAL SECURITY

by

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ABSTRACT

This thesis is a study of the Alliance for Progress and an attempt to determine its place in the national security policy of the United States. The threat to United States security which could arise in the hemisphere are postulated, and a number of policy objectives for the area are set forth. Then the Alliance is studied as a method of meeting these threats and helping to achieve these objectives.

After first considering the relevance of economic assistance as a tool of foreign policy, the early chapters are concerned with identifying the threats and establishing the objectives of U. S. hemisphere policy. The basic economic and social problems of Latin America are identified and analyzed for their significance in relation to the security of the United States. In addition, some of the highlights of inter-American cooperation are traced in a brief background of events leading up to the Alliance.

The middle portion of the thesis is devoted to the nature and structure of the Alliance, how the various participating organs and agencies are organized, and the objectives and programs of the Alliance. These factors, including the United States organization for carrying out the Alliance, are studied in the light of the manner in

which they contribute to or detract from the achievement of our national aims.

Finally, some of the results of the programs, political, economic, and social, are observed and related to the basic problems in the hemisphere and to the tasks remaining in an attempt to see how the Alliance can affect political decisions of the present and future. The author concludes that the Alliance can strengthen the Organization of American States and help to shift some peace-keeping responsibilities to that organization, as well as serving as an instrument to persuade or coerce Latin American governments or political groups to take actions or positions favorable to the United States interests.

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FOREWORD

This thesis is a study of the Alliance for Progress as an asset to the national security of the United States. The writer has attempted to establish the relationship between existing conditions and security threats, and between future possibilities and our national aims. The ways in which the Alliance does or could contribute to our national interest in the case of Latin America is then considered.

The research started in late 1963 and continued until the end of August, 1964. Many important events have occurred since then which are not included herein. Two exceptions were made: the outcome of the presidential election in Chile, and the rupture of relations with Cuba by Uruguay. These events were significant for arguments presented in this work, and the news was available before the last three chapters were written, so they were included.

The writer was fortunate to have been able to attend a Symposium on Latin America at the Center for Strategic Studies at Georgetown University in the summer of 1964. Thus, he had an opportunity to compare a number of Latin American viewpoints and some aspects of American security policy which otherwise might have escaped him. The participants and many persons in various government departments who also provided facts and ideas did not wish to be quoted; so all information gained from sources of this nature has been

incorporated in the body of the thesis without individual credit.

The writer is grateful to many people who helped in one way or another. Among the faculty members of The American University, Dr. Durward V. Sandifer and Dr. Harold E. Davis were foremost in arousing his interest in this subject and contributing to whatever intellectual value there may be in the thesis. He is indebted to both of these professors for stimulating his thoughts and providing helpful guidance during the studies which led to this work. Dr. Charles O. Lerche, Jr. also encouraged him; William C. Cromwell was an indispensable source of guidance, humor, and assistance.

The author is particularly indebted to his wife who read and reread, typed and retyped, and without whose patience and encouragement this work could never have been completed.

TABLE OF CONTENTS

	PAGE
PREFACE	11
CHAPTER	
I. INTRODUCTION	1
II. FOREIGN AID AND NATIONAL SECURITY	5
Foreign Assistance Act of 1961	7
Long-Range Goals	9
Short-Range Objectives	10
Relevance of Objectives in Latin America	12
III. THE UNITED STATES AND LATIN AMERICA	13
Security Threats	13
Problems of Taking Action	14
Economic and Social Problems in Latin America	16
From the Good Neighbor to the Alliance	19
IV. THE MULTILATERAL BASES OF THE ALLIANCE	26
The Charter of Punta del Este	26
OAS Organs	29
Inter-American Development Bank	32
Economic Integration	34
V. UNITED STATES ORGANIZATION FOR THE ALLIANCE	36
The Agency for International Development	37
The Johnson-Mann Reorganization	39
Other Government Agencies	45

CHAPTER	PAGE
Non-Governmental Organizations	49
VI. UNITED STATES PROGRAMS	52
Development Loans	53
Technical Cooperation	56
Supporting Assistance	58
Encouraging Private Investment	59
Food for Peace	64
Civic Action	67
VII. MULTILATERAL PROGRAMS	69
The Organization of American States	70
The Inter-American Development Bank	74
The World Bank	78
The United Nations	81
Other Groups	84
VIII. SOME RESULTS IN LATIN AMERICA	86
Chile	86
Colombia	88
Venezuela	89
Brazil	91
Functional Areas	92
IX. THE NINTH MEETING OF FOREIGN MINISTERS	96
Resolutions	98
Interpreting the Results	100
X. CONCLUSION	105
BIBLIOGRAPHY	112

CHAPTER I

INTRODUCTION

The Alliance for Progress is a relatively new approach to United States relations with Latin America. Many aspects of the Alliance are not novel; but, as a vast cooperative effort to modernize an entire continent and more, it is a formidable challenge. President John F. Kennedy said:

We propose to complete the revolution of the Americas, to build a hemisphere where all men can hope for a suitable standard of living and all men can live out their lives in dignity and in freedom.¹

The Alliance is an attempt to accelerate economic development and increase social justice in Latin America. The task is monumental and the commitment of the United States is very great. Why does the United States Government consider that such a heavy commitment to this effort is required? Many reasons have been advanced over the past few years. Somewhere between the extremes of pure philanthropy and unwavering anti-Communism there is a spectrum of reasons for sponsoring a foreign aid program of this magnitude. There has been no scarcity of justifications enunciated in relation to fighting communism. This has apparently helped to obtain authorization and appropriations in Congress.

¹John F. Kennedy, President Kennedy Speaks on the Alliance for Progress (Washington: AID, 1962), p. 2. Address at White House reception for Latin American diplomats on March 13, 1961.

Although it has been said that "foreign aid would be impelling were there no Sino-Soviet bloc,"² nevertheless, the interests of the United States are expressed in much more general terms if communism is not considered a factor.

The purpose of this paper is to determine our national interest in this area and to see what the principal security objectives are and how they can be served by the Alliance. The security of the United States has long been recognized as having a close relationship with the security of the Western Hemisphere. The Monroe Doctrine shows our early concern for this problem; the Inter-American Treaty of Reciprocal Assistance of 1947 (Rio Treaty) is a more recent manifestation. Opinions have varied over the years concerning the extent to which our security actually was dependent upon conditions in the rest of the hemisphere. Fidel Castro has contributed to a fairly widespread acceptance of the idea that our interest is bound up closely in the affairs of Latin America. At a press conference on February 7, 1963, President Kennedy called Latin America "the most critical area in the world today."

In the early days of the United Nations, the Latin Americans were more interested in a strong regional organization than we were. The hostility and expansionism of the

²Dean Rusk, "Charting a New Course in Foreign Aid," Department of State Bulletin, XLIV (May 22, 1961), 748.

Soviet Union caused the United States to shift the emphasis back to regional security arrangements, and, in the last few years, events have borne out the fact that there is a definite security problem in the Western Hemisphere. This problem has several aspects. However, the threat of international communism has become the dominant concern; and internal political unrest and upheavals are viewed in the light of their relationship to the communist threat.

In the past year, a possibility of somewhat less tense relations between the Soviet Union and the United States has been noted. While this, by no means, allows a relaxation of our defense posture, it does afford an opportunity to review our long-range interests and goals as they might exist without a constant threat of general war. The extent of subversion, "wars of liberation," and other such activities cannot be forecast accurately at this time; but we can attempt to visualize the Alliance for Progress in a slightly different context than that of the past few years.

With or without the threat of imminent nuclear holocaust, the Alliance stands as an attempt to face and overcome the problems which might lead to highly unfavorable political results in Latin America.

The relevance of foreign aid as a tool of foreign policy will be our first consideration. Then social, economic and political conditions in Latin America will be

analyzed for their significance in relation to the security of the United States. Next to be considered will be the nature and structure of the Alliance and how these factors and the objectives and programs of the Alliance contribute to or detract from the achievement of national aims. Finally, some of the results of the programs, political as well as economic and social, will be observed and related to the basic problems and the tasks remaining in the hope that we can relate the Alliance to political decisions of the present and the future in the light of our security needs.

CHAPTER II

FOREIGN AID AND NATIONAL SECURITY

The question of the use of foreign aid as an instrument of foreign policy is one on which many books have been written. It is obviously too large a subject to be settled here, but it seems worthwhile, indeed necessary, to establish the position of the United States in this regard. In this chapter, the officially stated position of the United States Government and the avowed goals of the foreign aid program will be reviewed. The Foreign Assistance Act of 1961 provides a convenient starting point. Then, an endeavor will be made to translate the euphemistically-expressed objectives into terms of self-interest and national security. Finally, the overall aid strategy to the Americas will be related.

The purely humanitarian arguments for foreign aid cannot be completely ignored, but this writer will consider them only as parts of a more broadly based argument. The idea that foreign economic assistance is a complete waste and should be abandoned is not now widely enough held to warrant much attention. Only one of the respondents to the Senate Foreign Relations Committee's request for views from retired Foreign Service Officers expressed this negative

viewpoint.¹ Proposals which emanated from the Center for International Studies at Massachusetts Institute of Technology may be more properly considered as a basis for argument. A key point of controversy in this point of view, sometimes referred to as the "Millikan-Rostow school of thought," is that assistance should promote "a steady, self-sustaining rate of growth" without "narrowly political or military objectives."² The thesis that the Government should participate in long-term economic development programs in underdeveloped areas as a means of "developing viable, energetic, and confident democratic societies" has been widely accepted and is evident in the statements of Government spokesmen.³ However, any neglect of immediate political and military objectives is open to attack, and none of the Kennedy-Johnson aid programs have ignored these short-term objectives.

¹United States Congress, Senate, United States Foreign Policy, Sen. Doc. No. 24, 87th Cong., 1st Sess. (Washington: Government Printing Office, 1961), p. 1410.

²Max F. Millikan and Walt W. Rostow, A Proposal: Key to an Effective Foreign Policy (New York: Harper & Brothers, 1957), p. 63.

³Mr. Rostow's position as Chairman of the Policy Planning Council in the Department of State may be considered as either a cause or effect, but, in any event, certainly has some significance in these statements of policy.

A number of studies have agreed with the need for foreign aid but differed concerning the priorities, the amounts, the terms, the relative importance of military aid, and other policy considerations. A very large proportion of the criticism of aid programs has been directed at their personnel and administration. After his work for the Draper Committee, Arnold Wolfers provided an excellent, concise analysis of the basic policy problem.⁴ The third interim report of the Draper Committee provided many recommendations for more effective economic aid programs.⁵

I. FOREIGN ASSISTANCE ACT OF 1961

Senator John F. Kennedy had been one of the critics of the Eisenhower aid programs; and, after assuming the Presidency, he embarked upon a large-scale reorganization. The Foreign Assistance Act of 1961 brought most of the economic aid activities under the direction of a new organization, the Agency for International Development (AID). The Secretary of State was given statutory responsibility for the supervision and general direction of all foreign

⁴"Military or Economic Aid: Questions of Priority," in Walter F. Hahn and John C. Neff (eds.), American Strategy for the Nuclear Age (Garden City: Anchor Books, 1960), pp. 375-387.

⁵Report of the President's Committee to Study the Military Assistance Program, Composite Report (2 vols; Washington: Government Printing Office, 1959), I.

assistance programs, and the AID Administrator was placed under the Secretary of State with the equivalent rank of Undersecretary. The Agency was a successor to the International Cooperation Administration and also absorbed the Development Loan Fund and the overseas activities of the Food for Peace program.

The recommendations of the Draper Committee, the Jackson Subcommittee,⁶ and the Presidential Task Force on Foreign Economic Assistance headed by Henry R. Labouisse could be seen in the reorganization. The new Foreign Assistance Program contained no revolutionary changes. In large part, it merely provided answers to the peripheral criticisms concerning administration and management. However, there was also an attempt to confront the deeper problems of objectives and priorities. The importance of long-range economic development programs was recognized, along with the necessity for the allocation of public funds for development loans. The Foreign Assistance Act reflected the balancing of resources between programs designed to serve short-term and long-term objectives according to the priorities set up by the new administration and the Congress.

⁶United States Congress, Senate, Subcommittee on National Security Staffing and Operations to the Committee on Government Operations, Henry M. Jackson, Chairman.

II. LONG-RANGE GOALS

Congress declared that it was its purpose to help make an historic demonstration that economic growth and political democracy could go hand-in-hand to the end that an enlarged community of free, stable, and self-reliant nations might reduce world tensions and insecurity. For the first time, a five-year program of long-term development lending was authorized. Although these loans would be subject to the annual appropriations' battle, it was, nevertheless, an important step toward continuity and a sense of confidence in development projects. Development grants, technical assistance, investment guarantees, investment surveys, Cooley loans, and supporting assistance and military aid all were included. Military aid was reduced somewhat, and development loan appropriations jumped to over one billion dollars.

This increased emphasis on long-range economic development reflected the Kennedy Administration's view that the national interest of the United States would be served by contributing to the self-sustaining economic growth of the developing nations. Under this concept of harmonized interests, temporary setbacks and misunderstandings are unimportant because the United States wants the same things for the less-developed states that they want for themselves. While keeping its powder dry and maintaining an adequate "strategic

assistance" program to counter communist threats and provide immediate or short-run gains, the United States is to devote a considerable part of its effort to encouraging those development efforts which--hopefully--will lead to a whole array of new, prosperous, stable, free nations.

The idealistic view of the future in which the developing nations naturally evolve into stable, peaceful, democratic societies is only a part of the problem. It is a position too open to attack by realists on the grounds that the present and the near future hold dangers too critical to allow resources to be diverted to such long-range goals. Therefore, the foreign aid program contains what might be termed a "mix of weapons" designed for different objectives.

III. SHORT-RANGE OBJECTIVES

What are these objectives? The long-range objectives of helping to develop independent, self-supporting nations which have made progress under free institutions have been discussed. This is in the national interest: a part of the liberal tradition of the nation and an aspect of United States national security of the future. Another objective is to support the governments and help establish stability in countries that are friendly or, at least, not allied with the enemies of the United States. Also, the United States needs to keep open trade relations and routes in order to maintain access to raw materials and markets for its goods.

In addition, a certain number of overseas bases and agreements to facilitate military operations, such as the use of ports and other transportation and communication facilities, are required. These objectives would be valid even if there were no such thing as communism.

Other objectives include:

1. Keeping large military forces in being around the Communist periphery;
2. Obtaining and maintaining a presence in the uncommitted nations; gaining some influence and preventing the Communists from doing so or, at least, reducing their influence;
3. Winning the friendships of uncommitted nations and, in some cases, establishing alliances.

These objectives are rather directly related to the Communist threat and are subject to review from time to time because of the possible contradictions between them and some of the longer-range goals. However, at the present time, they retain a high degree of relevance, and an important part of the United States aid program is directed toward these aims.

The Alliance for Progress was established at the same time as the rest of the Kennedy foreign aid program, but the Alliance has been somewhat divorced from the rest of the Mutual Defense and Assistance Programs by the Administration. Ignoring the special aspects or characteristics of the Alliance for a moment, let us just see whether the above security objectives fit the situation in Latin America.

IV. RELEVANCE OF OBJECTIVES IN LATIN AMERICA

The desirability of independent, democratic, prosperous neighbors is obvious, as are the advantages of stable governments friendly to the United States. The need to keep open trade relations with Latin America is at least equally as great as with the rest of the developing nations. Despite the advent of guided missiles and other technological advances, the more prosaic forms of warfare cannot be ignored. Anti-submarine warfare, logistic needs, and the defense of the Panama Canal will require overflight and landing rights, perhaps bases, and even active assistance in the event of certain types of hostilities. The need of the United States to maintain a presence in Latin America and to limit Communist influence is very obvious. Finally, there are in existence a Treaty of Reciprocal Assistance and a regional security system, and it is advantageous to the United States to keep them effective. Therefore, the only objective not applicable to Latin America is the need for large military forces to confront the Communist land forces.

There are, then, many security objectives which can be considered as reasons for economic assistance to Latin America. Other considerations will also be noted, but the author will concentrate on the avowed aims of the Alliance and the security objectives for the United States which have been enumerated here.

CHAPTER III

THE UNITED STATES AND LATIN AMERICA

The objectives of American assistance programs have just been defined, and their relevance to Latin America noted. Now it might be appropriate also to consider the problem of possible threats to United States security in the hemisphere.

I. SECURITY THREATS

There are five different categories which deserve attention. The threat of overt aggression by a power from outside the hemisphere is the historical problem, and one for which the nations of America have previously successfully mobilized. The aggression by one or more American nation on a neighbor is another old problem. Both of these kinds of threat are specifically provided for in the inter-American security system under the Rio Treaty. Domestic unrest and revolutions by indigenous movements provide a third type of problem; while subversive activities, revolutions and government takeovers inspired, conducted, financed or taken advantage of by international communist forces are the fourth and most threatening type at the present time. A fifth type would be the establishment of a stable government which was unfriendly to the United States but could not be classified in one of the other categories.

The first two categories above may be considered direct aggression. They are unanimously condemned throughout the hemisphere, and the inter-American system is prepared to deal with them. Essentially, the United States is prepared to provide the military force to repel invasions, and the other countries are prepared to sanction its action and provide moral and perhaps physical support as required. The other three categories create an entirely different problem. Governments unfriendly to the United States are obviously not looked upon with any great disfavor in Latin America, while insurrection and revolution are widely felt by the Latins to be domestic matters of no concern to the United States. This has been a problem throughout this century. However, since we have repudiated the right to intervene in the internal affairs of Latin American nations, the problem has become one of attempting to prevent the problems from arising, or encouraging multilateral intervention. Both of these alternatives are inherently very difficult to accomplish.

II. PROBLEMS OF TAKING ACTION

In 1954, the Arbenz regime in Guatemala demonstrated the ability of communism to exert control over a government in this hemisphere. This problem was solved rather efficiently without OAS action and without open intervention by

the United States. A number of other problems cropped up in the next few years, some of which were settled by the OAS, the United States practicing nonintervention. Then Castro "liberated" Cuba. He was a popular hero in Latin America; and, as his stock fell in the United States, it rose south of the border. The United States was accused of supporting right-wing dictatorships and opposing popular governments. The two Meetings of Consultation of Foreign Ministers in San José, Costa Rica, in August, 1960, were indicative of the Latin American orientation. The Ministers voted for a strong resolution, including sanctions against the Trujillo regime in the Dominican Republic; but only a mild resolution, condemning intervention by an extra-continental power, was passed in the case of Cuba, which was not even mentioned by name in the resolution. The support for Castro diminished enough to enable his exclusion from participating in the OAS in 1962, but communist influence or activity is still evident in many places, such as Bolivia, Brazil, Chile, and Venezuela. Several undemocratic regimes frustrate the cause of freedom in other countries, most notably, perhaps, in Haiti.

The Alliance for Progress is the latest, the most dynamic, and the most far-reaching of the methods which have been initiated to deal with this problem. It is an attack on the underlying causes of unrest, a bold attempt to win

the people of Latin America to the cause of freedom by promoting vast economic and social progress under peaceful rather than violent circumstances.

By contributing to the elimination or reduction of the poverty, the social and political contradictions and injustice which fan the flames of revolution, the United States faces the indirect security threats with the weapons of peace; it seeks its objectives within the accepted rules of the hemisphere. The United States overall policy is to keep the Latin American governments and peoples firmly associated with it and the Western world. Secretary of State Dean Rusk said:

The wave of the future is the peaceful, democratic revolution symbolized for the Americas in the Alliance for Progress--the revolution which will bring change without chaos, development without dictatorship and hope without hatred.¹

III. ECONOMIC AND SOCIAL PROBLEMS IN LATIN AMERICA

The problems of Latin America are almost stereotyped in the American mind, but it is necessary to review them briefly in order to relate them to security problems and to the Alliance. The latifundia of colonial times remain today

¹Ernest K. Lindley (ed.), The Winds of Freedom (Boston: Beacon Press, 1963), pp. 133-134. Quoted from a speech by Secretary Rusk at Punta del Este, Uruguay, on January 25, 1962.

to a great extent, although this varies considerably in different countries. In the earlier days of independence, social and economic mobility was extremely limited. The middle class was very small and the vast majority of the people lived in abject poverty. Economic power was concentrated in the hands of an aristocracy. The military and the church shared political power with the aristocracy and helped resist change. Foreign investors had to ally themselves with the dominant groups and became known as another element of reaction. Serious physical obstacles to communication and transportation in many cases also hindered progress.

As the nineteenth century drew to a close, the impact of the industrial revolution began to be felt intensively in Latin America. The agricultural products and mineral resources of the area were needed by the more industrialized nations, and the foreign traders, investors, and immigrants brought the technological advances of Western Europe and the United States to Latin America. After World War I, the larger countries began a rapid increase in industrialization, and the rest of the countries attempted to build some industry. Under the stimulus of industrialization, urbanization and immigration, the population increased rapidly.

The increased wealth of the twentieth century did little to improve the plight of the masses. However, between the wars, the emerging laboring, industrial, and middle-class

groups in the rapidly growing urban centers did manage to exert some pressure on the entrenched conservative elite. The change from a predominantly rural and agricultural economy to one that was increasingly urban and industrial brought about a great social upheaval. The industrialists led the first real challenge to the old order. The middle groups and labor gained political power but found cleavages between their interests almost as great as those with the old oligarchies. Whether brought about by violent revolution or less drastic measures, change came to most of Latin America. However, stability did not necessarily accompany the change. The new ruling groups were normally in favor of reform, but they often used highly undemocratic methods to stay in power and carry out their reforms.

Most of the basic problems remained. Illiteracy was high, vast numbers of people were essentially outside of the economy, most of the countries depended on a few basic agricultural exports for most of their foreign exchange; they just did not qualify as modern, advanced states. Although the per capita increase in gross national product rose sharply after World War II, the average growth rate from 1950 to 1961 was about 1.4 per cent, and the 1962 average was 266 dollars per capita, compared with the United States

figure of about 2,820 dollars per capita.² Each country is somewhat different, but, in general, a social revolution is just below the surface in much of Latin America.³ A peaceful revolution is proposed by the Alliance.

IV. FROM THE GOOD NEIGHBOR TO THE ALLIANCE

We have seen the conditions in Latin America which make necessary some form of accelerated development program. Now we will trace briefly some of the highlights of the growth of inter-American cooperation since the early days of the "Good Neighbor Policy."

A movement called "Pan Americanism" grew in a rather sporadic manner for more than a century. President Franklin D. Roosevelt gave a new dynamism to this idea of hemispheric solidarity by proclaiming the Good Neighbor Policy and renouncing unilateral intervention. At the Special Conference for the Maintenance of Peace held at Buenos Aires in 1936, agreements were reached which provided for consultation among the American Republics in the event of intervention or threats to the peace. The Declaration of Lima, signed in

²AID, Latin America: Trends in Production and Trade (Washington, 1963), pp. 14 and 19.

³Dr. Milton S. Eisenhower states, "there is absolutely no doubt in my mind that revolution is inevitable in Latin America," The Wine Is Bitter (Garden City: Doubleday, 1963), p. xi.

1938, strengthened the basis for consultation and readied the inter-American system for the cooperative measures soon to be occasioned by the war. A series of pacts had already been signed providing for peaceful settlement of disputes among American states.

The need for consultation was soon obvious. As the war spread across Europe, the first Meetings of Consultation of Foreign Ministers were held in Panama in September, 1939, and in Havana in July, 1940. The threat of involvement in war brought cooperation in the hemisphere to a new high. Among the steps taken were the formation of the Financial and Economic Advisory Committee and the Inter-American Development Commission. Military and economic cooperation was stepped up to protect the hemisphere.

After Pearl Harbor, a Third Meeting of Foreign Ministers was held in January, 1942, and the remainder of the machinery was set up for cooperation in the defense of the hemisphere. The Inter-American Defense Board and the Emergency Committee for Political Defense were formed so that military coordination and cooperative efforts against subversive activities were added to the already existing bodies for economic cooperation. The United States furnished most of the military strength and equipment, but the Latin Americans provided bases of great strategic value, manpower, and, very importantly, the raw materials which were so necessary

for the prosecution of the war effort by the United States. An almost closed economic system grew out of the effects of the war on trade and the critical need of the United States for Latin American products. Quotas and price controls were put in effect and a greatly expanded production of strategic materials was built up. The United States poured money into Latin America, and a substantial amount was devoted to development of the infrastructure and resources of lasting significance.⁴

As the tide of war shifted against the Axis, hemispheric cooperation became less critical to the war effort and was of less concern to the United States. We shifted to global rather than hemispheric horizons. The special Conference on Problems of War and Peace, held at Mexico City in early 1945, produced little in the way of concrete programs for the transition to peace, but the general agreements reached there led to the Rio Treaty and the Organization of American States. The existing pattern of collective security through consultation was institutionalized in the 1947 Rio Treaty, while the Inter-American regional organization was formalized in 1948 in the Charter of Bogotá,

⁴A concise account of wartime economic cooperation is given in J. Lloyd Mecham, The United States and Inter-American Security, 1889-1960 (Austin: University of Texas Press, 1961), Chapter VIII. Arthur Whitaker notes the developmental significance of wartime aid in The United States and South America, the Northern Republics (Cambridge: Harvard University Press, 1948).

providing for political, economic and cultural cooperation in very general terms. The Latin Americans wanted and expected extensive cooperative efforts for economic development but were unable to get the United States even to participate in an Inter-American Economic Conference. Despite impressive resolutions and general statements at the general conferences at Mexico City in 1945, Bogotá in 1948, and Caracas in 1954, concrete development programs of any great scope could not be agreed upon. American policy was mainly concerned with maintaining maximum tranquillity in Latin America--a conservative policy.⁵ An important segment of Latin American thought was anything but conservative.

In 1958, the economic policy of the United States Government toward Latin America began to shift closer to the nascent consensus of Latin American leaders. General agreement was developing in Latin America as a result, to a large extent, of the valuable work of the United Nations Economic Commission for Latin America, led by the able Dr. Raúl Prebisch of Argentina.⁶ The Latin American hopes were presented effectively in August, 1958, by President Juscelino

⁵ John C. Dreier, The Organization of American States and the Hemisphere Crisis (New York: Harper and Row, 1962), p. 75.

⁶ Dr. Prebisch has often opposed U.S. policies and is a rather controversial figure. However, outstanding work was accomplished by ECLA under his leadership, and this writer has accepted the more favorable impression of Prebisch which many observers endorse. Ibid., p. 81.

Kubitschek of Brazil in his proposed "Operation Pan America." The ominous signs of an economic crisis, the threat of political instability and communism, and the hostile reception accorded Vice President Richard Nixon helped to swing United States support toward more government participation in Latin American economic and social development.

An informal meeting of Foreign Ministers was held in Washington in September, 1958, which recommended forming a special committee of the OAS Council to formulate new measures for economic cooperation within the OAS. Another recommendation called for the establishment of an inter-American development institution. The Council of the OAS immediately formed the "Committee of Twenty-One" and the Economic and Social Council appointed a special committee to set up the financial institution, the Inter-American Development Bank. The efforts of the Committee of Twenty-One led to the signing, in 1960, of the Act of Bogotá, making Operation Pan America the basis for a new program of social and economic progress. This was a direct forerunner of the Alliance for Progress. Also in 1960, the Inter-American Economic and Social Council was reorganized to enable it to contribute more effectively to development efforts, and the Social Progress Trust Fund was set up by the United States to be administered by the Inter-American Development Bank. The United States had recognized the need for a new approach,

and a National Planning Association study noted:

In the current year [1959], a number of steps have been taken to give U.S. policy a less negative tone and to demonstrate more convincingly the deep interest of the United States in Latin America's welfare and progress.⁷

The problems arising from the Castro revolution in Cuba were also becoming more obvious and more vexing as the Eisenhower years drew to a close.

As the Kennedy Administration began, old policies and old institutions maintained some of their relevance to hemispheric security in the military, political and juridical areas, but a new approach was emerging in the area of economic aid.⁸ In his inaugural address, President John F. Kennedy said:

To our sister republics south of our border, we offer a special pledge - to convert our good words into good deeds - in a new alliance for progress - to assist free men and free governments in casting off the chains of poverty.

Then, on March 13, 1961, before a group of Latin American diplomats at the White House, the President outlined "a vast new 10-year plan for the Americas, a plan to transform the 1960's into an historic decade of democratic progress." He

⁷United States Congress, Senate, United States - Latin American Relations, Compilation of studies prepared under the direction of the Subcommittee on American Republics Affairs of the Committee on Foreign Relations, Senate Document No. 125, 86th Cong., 2d Sess. (Washington, 1960), p. 408.

⁸It was unfortunate that a new approach to the Bay of Pigs was not developed.

called on

all the people of the Hemisphere to join in a new Alliance for Progress - Alianza para el Progreso - a vast cooperative effort, unparalleled in magnitude and nobility of purpose, to satisfy the basic needs of the American people for homes, work and land, health and schools⁹

The following day, the President asked Congress for their full support for the program and, specifically, for an authorization of \$500 million as a first step. He warned the Congress:

If we are unwilling to commit our resources and energy to the task of social progress and economic development--then we face a grave and imminent danger that desperate peoples will turn to communism or other forms of tyranny as their only hope for change.¹⁰

The new policy not only had a name, but it had been clearly related to the national interest and security of the United States. The Alliance was proposed as a cooperative multi-lateral effort of all the American republics, and a special ministerial level meeting of the Inter-American Economic and Social Council was proposed by the President to begin the massive planning and organizational work that would be required.

⁹John F. Kennedy, President Kennedy Speaks on the Alliance for Progress (Washington: AID, 1962), p. 5.

¹⁰Ibid., p. 29.

CHAPTER IV

THE MULTILATERAL BASES OF THE ALLIANCE

A special meeting of the Inter-American Economic and Social Council was held at Punta del Este, Uruguay, in August, 1961, to put the Alliance for Progress into action. A preponderance of the governments of the American countries had finally come to accept a diagnosis of the problems of economic and social progress which corresponded closely with the real problems of Latin America. At last, they were prepared to reach a general agreement on the nature and extent of the cooperation and the measures that would be needed to solve these problems. As a result, the representatives were able to proclaim the Declaration of the Peoples of America and the Charter of Punta del Este, establishing the Alliance for Progress as a cooperative venture of the American republics.

I. THE CHARTER OF PUNTA DEL ESTE

The charter calls for enlisting the full energies of the peoples and governments of the American republics in a great cooperative effort to accelerate the economic and social development of Latin America. Specific as well as general goals and objectives are set forth. The charter calls for a minimum average of two and one-half per cent per capita rate of economic growth to provide for self-sustaining

development and a more equitable distribution of income to make the benefits of economic progress available to all citizens. Diversification of national economic structures and an accelerated process of industrialization are called for, as is the maintenance of stable currency and price levels, improved balance of foreign trade and increased economic integration, possibly a Latin American common market. Additional goals include an increased level of agricultural productivity, improved storage, marketing and transportation facilities, comprehensive agrarian reform, and increased credit and technical assistance for the man who works the land. Social goals include greatly expanded educational facilities and opportunities, improved nutrition and health, increased public service and low-cost housing. Specific objectives in this area include providing access to six years of education to every school-age child and increasing life expectancy by at least five years.¹

All the Latin American nations except Cuba pledged themselves to a drastic revision of their institutions, their tax systems, their agricultural practices and traditions, and to a process of sound planning in order to direct

¹Pan American Union, Alliance for Progress, Official Documents emanating from the Special Meeting of the Inter-American Economic and Social Council at the Ministerial Level held in Punta del Este, Uruguay, August, 1961 (Washington, 1961), pp. 10-11. Hereafter cited as Alliance Documents.

their energies and resources toward economic and social progress within the processes and principles of representative democracy. They acknowledged that the task could only be accomplished through the self-help efforts of each country and the maximum utilization of domestic resources.

It was recognized that at least twenty billion dollars of external financial assistance would be required during a ten-year period, the greater part to be in public funds and extended on flexible conditions. The United States pledged to provide a major portion of this assistance, including one billion dollars during the first year.²

This is the Alliance as it was formed. It is a tremendous undertaking, an attempt to implement a revolution in social and economic conditions within the bounds of evolutionary, democratic political processes. Dr. José A. Mora, Secretary-General of the Organization of American States, has called the Alliance "the most important movement of the present day toward giving greater meaning and substance to a permanent association of American nations."³

²Ibid., p. 4, in the Declaration of the Peoples of America.

³Pan American Union, The Dynamics of the Alliance and the Inter-American System, Memorandum of the Secretary-General, José A. Mora (Washington, 1962), p. 1.

II. OAS ORGANS

The Charter of Punta del Este made the Alliance a program of the Organization of American States. Overall policy direction is vested in the Inter-American Economic and Social Council, which meets annually in consecutive meetings at the expert and ministerial levels for a review of the progress made during the year. The Ministers review the work of the Alliance, analyze and discuss the problems and achievements in each country, exchange opinions on possible measures to intensify further progress, prepare reports on the outlook for the future and make appropriate recommendations on policies and measures to promote economic and social development.⁴ Constituted as it is of high-level representatives of each of the OAS member governments, the ECOSOC exerts a strong influence on the governments for concerted action although it cannot force any country to take action.

The actual direction of Alliance matters under the ECOSOC is assigned to the Inter-American Committee for the Alliance for Progress (CIAP), which was established in November, 1963, at the São Paulo meeting. This Committee

⁴Appended Resolution D, Charter of Punta del Este. The ECOSOC is nominally responsible to the Council of the OAS.

was formed in an attempt to Latinize the Alliance and provide more multilateral control as a result of the special reports of former Presidents Juscelino Kubitschek of Brazil and Alberto Lleras Camargo of Colombia. The first regular meeting of the Committee was held in July, 1964, in Mexico City under the chairmanship of Carlos Sanz de Santamaría of Colombia.⁵ The duties of the Committee include studying the problems of the Alliance and resolving or suggesting solutions to them, making an annual estimate of the financial resources needed and those available, and making a continuing review of the Alliance. The key duty could be the preparation of annual proposals for determining the distribution among the several countries of public funds available under the Alliance.⁶ For the immediate future this "power of suggestion" does not appear to be overly significant; but there is an inherent possibility of increased influence for the committee, and the committee may be able to increase financing from sources other than the United States.

⁵ Inter-American Committee on The Alliance for Progress, Final Report, First Meeting of the Inter-American Committee on the Alliance for Progress, CIAP/71 (Washington: Pan American Union, 1964).

⁶ Inter-American Economic and Social Council, Final Report of the Second Annual Meeting, at the Ministerial Level, in São Paulo, Brazil, November, 1963 (Washington: Pan American Union, 1963), p. 11.

The "Panel of Nine" high-level experts will serve in an advisory capacity to the CIAP. The Panel was originally formed with the primary purpose of evaluating national development plans for which it provides members of ad hoc committees. This body is essentially a group of international public servants which has performed very important work in evaluating national development plans, providing guidance to the presenting governments and helping obtain financial and technical assistance. By virtue of the ability and reputation of the members, the panel has contributed to the public image of the Alliance and has been able to cooperate effectively with the various officials and agencies concerned with the Alliance, particularly with the financial institutions.⁷

The Secretariat of the OAS has important functions in the work of the Alliance. The post of Assistant Secretary for Economic and Social Affairs has been created, and the incumbent also serves as Executive Secretary of both the ECOSOC and the CIAP. Under the Assistant Secretary, there are four departments of the Pan American Union: Social Affairs, Economic Affairs, Statistics and Technical Cooperation. These departments have expanded considerably, and

⁷The new relationship of the Panel of Nine to the CIAP is found in ibid., p. 13. The duties of the Panel are enumerated in Pan American Union, Alliance Documents, op. cit., p. 15.

they furnish the technical, clerical, and some of the research assistance for implementing the Alliance. The technical cooperation program has been stepped up and includes the administration of regional training centers and direct technical assistance missions throughout Latin America, fellowship and exchange programs, and in cooperation with ECLA and IDB, advisory groups for development planning. The activities of the Secretariat in economic and social development have markedly increased under the impetus of the Alliance.⁸

III. INTER-AMERICAN DEVELOPMENT BANK

One of the most important institutions of the Alliance for Progress is outside the structure of the OAS, although it is closely related. The Inter-American Development Bank is a multilateral financing institution for development projects. It was organized at the end of the 1950's and commenced operations on October 1, 1960--a symbol of the triumph of Latin American aspirations and ideas for development financing. The United States had been resisting Latin demands for a separate bank since World War II.

⁸The expanding role of the Secretariat is described in Inter-American Economic Council, The Alliance for Progress: Its First Year (Washington: Pan American Union, 1963), pp. 81-87.

Each of the twenty member countries has a representative on the Board of Governors, but control is exercised by seven executive directors, six elected by groups of Latin American States, and one appointed by the United States Government. Voting is weighted in accordance with the capital subscribed; the United States has 41.82 per cent of the votes.⁹ Simple majority votes are required for regular operations, but two-thirds majorities are required to approve loans from the Fund for Special Operations and the Social Progress Trust Fund.

The Bank's own resources are used for a wide variety of public and private development activities. The Social Progress Trust Fund is a special fund for social development established and financed by the United States but administered by the IDB.¹⁰ This fund is used only for social development projects in the fields of land settlement and improved land use, low-income housing, community water

⁹ IDB, Fourth Annual Report, 1963 (Washington, 1964), p. 36. This report also provides an excellent, concise summary of IDB activities.

¹⁰ The agreement is contained in IDB, Social Progress Trust Fund Agreement, Social Progress Fund (Washington, 1961). The IDB publishes very comprehensive reports under the title: Social Progress Trust Fund, Annual Report. These reports contain interesting, informative accounts of social and economic progress in Latin America in addition to Trust Fund information.

supply and sanitation and education as specified in the agreement. Loans from the Trust Fund and from the Fund for Special Operations are made at lower interest rates and easier terms of repayment than loans from the ordinary capital resources.

IV. ECONOMIC INTEGRATION

A few authors have noted the possible significance of economic integration, although this is not stressed in most discussions of the Alliance. Ernest R. May states:

If the Charter of Punta del Este proves to be more than splendid rhetoric, it augurs a time when all Latin American nations will have given up to one another some of the sovereignty they have so far jealously treasured, when they will play cooperative and competitive roles in a common market, when there will be inter-American institutions insuring and protecting the flow of capital and credit, when, in short, their economics will be joined to one another at least as closely as are the states of the North American Union.¹¹

President Kennedy included economic integration as the fourth point in his proposal for the Alliance on March 13, 1961, and it is included in the Charter of Punta del Este. The building of a strong, integrated Latin American economic community with possible subsequent political integration is an eventuality which could have a very pronounced effect on

¹¹Ernest R. May, "The Alliance for Progress in Historical Perspective," Foreign Affairs, XLI (July, 1963), p. 774.

the political and security relationships of the United States. Thus far, progress in this regard has been rather limited except for the Central American Common Market.

From the point of view of progressive Latin Americans, the Alliance is a cooperative venture, a Latin American attempt to bring their countries into the mainstream of a modern, industrialized, affluent world society with the help of the United States.

The Alliance for Progress was the crowning confirmation of a Latin American policy seeking to effect a change in the traditional postures of the United States of America with regard to the possibilities for the latter's development. It was, at the same time, the imposition of a new way of looking at the Latin American governments' obligations to their peoples.¹²

There would appear to be some contradiction between this view of the Alliance as a multilateral, Latin American undertaking and our thesis that the Alliance is an instrument of United States security policy. However, the common objectives and merging interests are very clear; therefore, we have a classical alliance, each member benefiting from his membership, United States security interests included.

¹²Alberto Lleras Camargo, "The Alliance for Progress: Aims, Distortions, Obstacles," Foreign Affairs, XLII (October, 1963), p. 25.

CHAPTER V

UNITED STATES ORGANIZATION FOR THE ALLIANCE

The Secretary of State is responsible for the supervision and general direction of the entire foreign assistance program. The Alliance for Progress is a part of the United States foreign aid program, and, in this chapter, it will be shown how the government has organized to insure that the Alliance serves as an instrument of foreign policy under the Secretary and helps achieve the security objectives defined in previous chapters.

In the early months of the Kennedy administration, a large-scale reorganization took place. There was a Task Force on Foreign Economic Assistance, a Task Force on Latin America, and the new Agency for International Development and the Alliance for Progress were both being born at about the same time. Ideas were being generated in the White House and in various places inside and outside the Department of State. The diffusion of authority and responsibility continued for some time.¹ A more effective control of responsibility evolved as the Department of State absorbed the Alliance into its political and foreign assistance machinery.

¹Time, LXXXIII (January 31, 1964), 18. A State Department source has recommended this article as an accurate description of the early days of the Alliance.

The responsibility for execution of the Alliance was assigned to the Agency for International Development, and, in early 1962, the Assistant Administrator for Latin America was given the additional task of Coordinator of the Alliance for Progress.

I. THE AGENCY FOR INTERNATIONAL DEVELOPMENT

The Administrator of AID, currently David E. Bell, ranks as an Undersecretary of State and, under the Secretary, is responsible for the coordination of foreign assistance. Line responsibility is vested in four regional bureaus, each headed by an Assistant Administrator. However, there are a number of committees and a very large staff organization which tend to interfere somewhat with the direct line of responsibility.

The Office of Development Finance and Private Enterprise establishes policies and procedures for all capital assistance, coordinates loan operations with other agencies and promotes United States private investment and mobilization of private capital in beneficiary countries. This office reviews all loans. The Office of Engineering develops engineering policies and standards and oversees engineering practices in the Agency. The Office of Material Resources administers the use of government surplus property and agricultural commodities and cooperates with voluntary

agencies providing relief assistance. The Office of Program Coordination engages in overall program and policy planning, economic analysis, and the review and coordination of all assistance programs. An Office of Technical Cooperation and Research and Offices of Labor Affairs and Public Safety have been added. Of course, there are also administrative, legal, inspection, public information, congressional liaison and assorted other offices and staffs.

The Bureau for Latin America has now been integrated with the Department of State Bureau of Inter-American Affairs and will be discussed later. The overseas operations of the Agency are carried out by AID Missions. Under the "country team" concept, the Ambassador is the ranking member of the team. The Mission Director is the chief AID officer, and he maintains close contact with the Ambassador and with Washington. The country team is receiving increased authority and flexibility for program planning and execution. The Mission Director or the Ambassador may reject unsound proposals on the spot and forward appropriate recommendations to Washington. The most important decisions are made in Washington, but projects costing less than \$200,000 can be approved and funded by the Mission Director; and the Mission does exert strong influence on the programming of assistance to the host country.

Coordination has been a great problem of foreign

assistance. The Department of State and AID are big organizations; and the Export-Import Bank, the Treasury and Defense Departments, the Peace Corps, and the Departments of Commerce, Agriculture and Labor are all involved, along with other government, private, and international organizations. This coordination of effort is carried out at many levels. The National Advisory Council on International Monetary and Financial Problems coordinates policy at the highest level. The members are the Secretary of the Treasury, Secretary of State, Secretary of Commerce, Chairman of the Board of the Federal Reserve System, and the President of the Export-Import Bank. Much of the coordination at lower levels has been within AID itself or accomplished by AID personnel. The Development Loan Committee meets on an average of twice a month to establish standards and criteria for lending operations and also considers large loan applications and those which do not meet standard policy requirements. This committee is composed of the AID Administrator, the President of the Export-Import Bank, the Assistant Secretary of State for Economic Affairs, the Assistant Secretary of the Treasury for International Affairs, and the Assistant AID Administrator for Development Finance and Private Enterprise. Within the Bureau, the Office of Capital Development, the Offices of Planning and Programs, Institutional Development, Management and Regional Economic Policy, as

well as loan committees, legal staff, and other interested parties and offices are involved.²

The complex structure and procedures may be looked at as an effective management effort to obtain maximum benefit from the taxpayers' dollars or as a bureaucratic jungle stifling the Alliance. The process of getting a loan approved may take from several months to several years. This delay is a frequent complaint among Latin Americans, as are the conditions imposed.³ A year ago, Frank M. Coffin, then Deputy Administrator for Operations, stated that no function of government had been so thoroughly studied and reorganized in recent years as has foreign aid.⁴ Many other problems also confront the policy makers, however, and another reorganization was felt necessary.

II. THE JOHNSON-MANN REORGANIZATION

In December, 1963, President Lyndon Johnson appointed

²Information on AID was uncovered largely through interviews, partly through these publications: U.S. Department of State, Organizational Information, Bureau of Inter-American Affairs and Bureau for Latin America, AID (Washington, 1964); Report to the Congress on the Foreign Assistance Program for Fiscal Year 1962 (Washington, 1963); and AID, Principles of Foreign Assistance (Washington, 1963).

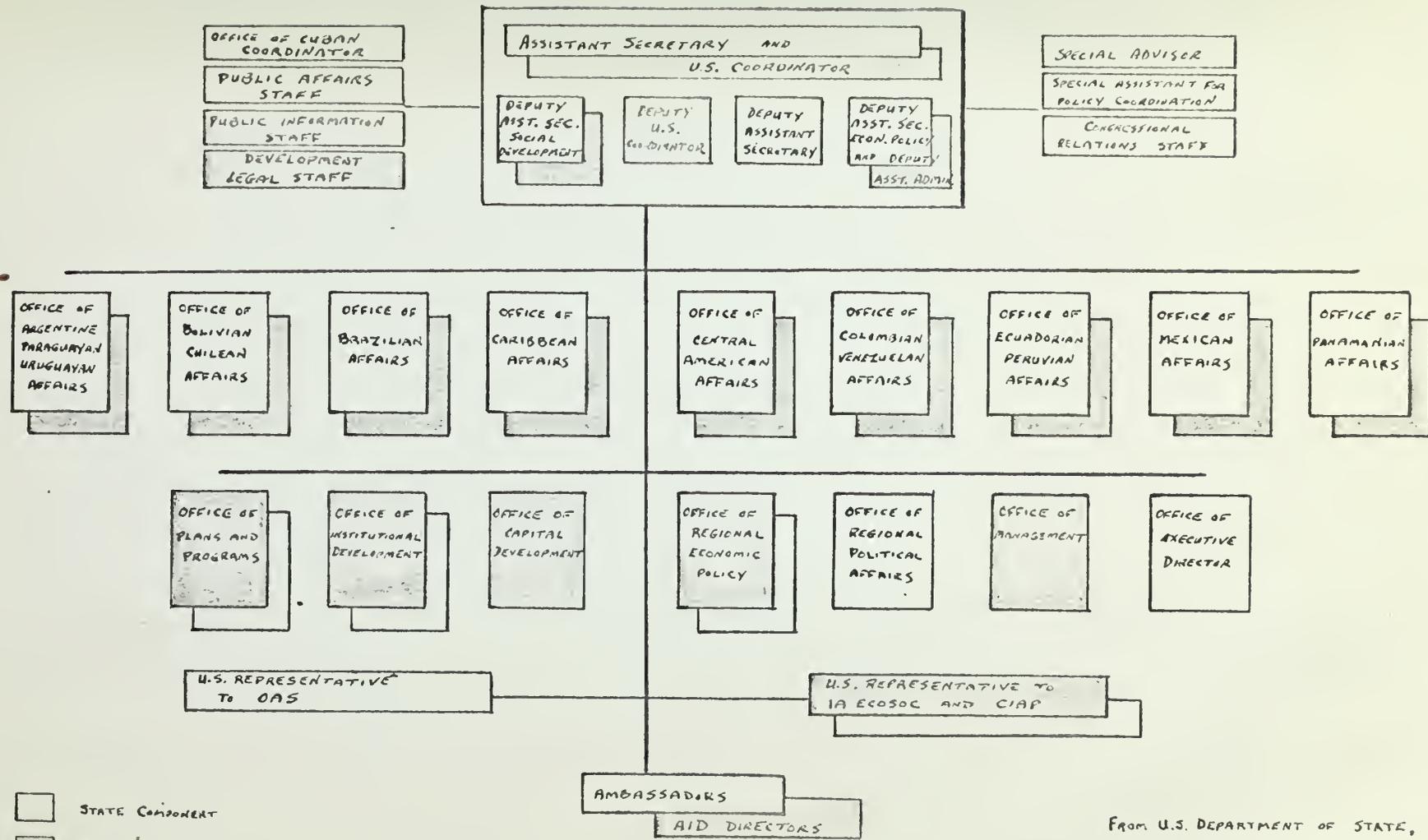
³Pan American Union, Segunda Informe de la Nómina de las Nueve al Consejo Interamericano Económico y Social, CIES/370 (Washington, 1963), p. 56.

⁴Frank M. Coffin, Foreign Aid, Controversy and Reality, Remarks at Regional Foreign Policy Conference, Boston, Massachusetts, September 11, 1963 (Washington: AID, 1963), p. 2.

Thomas C. Mann to the post of Assistant Secretary of State for Inter-American Affairs. The President made clear that Mann would have effective policy control over all aspects of U.S. policy in Latin America by also designating him as Special Presidential Advisor and U.S. Coordinator of the Alliance for Progress. This centralization of authority and responsibility was an important move to remedy some of the problems of diffusion of authority and confusion of policy that were possible when State and AID had divided responsibilities.

On February 14, 1964, Secretary of State Dean Rusk approved an agreement between the AID Administrator and Assistant Secretary Mann which gave Mann broad powers within AID, integrated the Latin American geographic offices of AID into new groupings and provided for increased priorities and cooperation for Alliance matters from AID.

The new organization of the Bureau is shown in Figure 1 (infra, p. 42). The Offices of Development Planning and Programs, Capital Development, Institutional Development, and Management and Operations, and some of the staffs retained their AID identity. AID personnel report to Deputy Coordinator William D. Rogers. The nine geographic offices are headed by Directors, who may be either State or AID Officers. The Deputy Director or the Assistant Director for Development will be an AID officer if the Director is not.



STATE COMPONENT
 AID COMPONENT

FROM U.S. DEPARTMENT OF STATE,
ORGANIZATIONAL INFORMATION.

FIGURE 1
 ORGANIZATION CHART
 BUREAU OF INTER-AMERICAN AFFAIRS / BUREAU OF LATIN AMERICA

Junior personnel are utilized with some flexibility in the geographic offices. The key point, however, is that the Director is the single focal point in Washington for information, advice, and guidance concerning political, military, economic, and social conditions, events, and trends in his country, reporting directly to the Assistant Secretary. There is one voice for Latin America at the top; there is one voice for each geographic office.

Senator Hubert Humphrey wrote: "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."⁵ Mr. Mann apparently has been given more authority than any one individual previously exercised in the Alliance. In addition, he has delegated authority to his subordinates, and the policy for Latin America has been unified. The streamlining and concentration

⁵U.S. Congress, Senate, A Report on the Alliance for Progress, 1963, Report by Sen. Hubert Humphrey to the Committee on Appropriations and the Committee on Foreign Relations, Sen. Doc., No. 13, 88th Cong., 1st Sess. (Washington: Government Printing Office, 1963), p. 13. Earlier in this report (on p. 9), Sen. Humphrey stated: "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."

of responsibility affords a better chain of command and should improve results, although the staff and functional offices of AID are still somewhat removed from this new "policy machine."

Another agency involved in Alliance work is the Peace Corps, a separate agency also under the Department of State. The objectives of the Corps are to provide trained manpower for underdeveloped countries and to promote better understanding between peoples. The Corps provides personnel in a middle skill level, not highly skilled technical experts. More than fifteen hundred volunteers serve in fourteen Alliance countries as teachers, agricultural extension workers, surveyors, water and sanitation workers, nurses and nurses' aides, medical technicians, vocational and athletic instructors, youth group organizers and community development workers. Unlike professional and technical specialists engaged in technical assistance programs, the Peace Corps workers usually serve under host country supervision to fill immediate manpower needs. Their jobs extend from digging ditches to running educational television stations.

Peace Corps activities are conducted separately from those of the Embassy and other U.S. agencies in a country. However, the Peace Corps officials consult with the Embassy

and the AID mission when its program is being formulated, as well as with the Department of State and AID in Washington. AID planners attempt to coordinate Peace Corps projects with other programs to avoid duplication and take full advantage of the accomplishments of the Corps. The Peace Corps has proved to be a very popular innovation in the field of foreign assistance and has thereby contributed to an improved image of the Administration's aid program.

III. OTHER GOVERNMENT AGENCIES

The fact that one man is now supposed to exercise policy control over all aspects of United States policy in Latin America is by no means assured merely within the Department of State. A great many other government departments and agencies are also deeply involved in the Alliance.

The Export-Import Bank is an independent agency of the U.S. Government which furnishes a substantial portion of American funds for Latin American development. The Bank was established to assist United States exporters and importers, and much of its activity cannot be classified as foreign assistance. Nevertheless, up to June 30, 1964, the Bank had authorized over \$758,000,000 in loans which are considered a part of Alliance aid.⁶ The EXIMBANK loans are predominantly

⁶AID, U.S. Assistance to Latin America, Obligations and Loan Authorizations FY 1949-FY 1963 (Washington, 1963), p. 2, and July 15, 1964, Supplement.

for the procurement of U.S. goods and services, such as those for industrial or public utility projects which need considerable machinery from the United States. The Bank finances only U.S. dollar costs and it generally imposes higher interest rates and shorter terms than AID. Loans are made available to private as well as public organizations, helping to encourage private investment. The Bank cooperates closely with AID. In addition to the Development Loan Committee, there is a liaison committee which coordinates the activities of the Bank and AID on specific lending proposals.

The Department of Commerce plays a very important role in publicizing and encouraging the contribution which the financial, technical, and managerial resources of United States private industry can make. It promotes private investment as a means of supplying the necessary capital for economic development. The Office of International Investment assists in identifying and documenting specific situations in which American investors can make contributions to Latin American Development and in stimulating the interest of United States firms in pursuing such opportunities. In attempting to mobilize American private sector support for the Alliance, the Department has created the Commerce Committee on the Alliance for Progress which consists of twenty-nine leaders of United States firms with special knowledge of Latin America. The committee has sought to identify

specific investment opportunities and has made significant studies and recommendations on actions needed to stimulate private investment, including tax concessions. The Office of Technical Services provides assistance under contract with AID, and the American Republics Division of the Office of International Regional Economics maintains liaison with all interested agencies.

The Treasury Department has a major interest and responsibility in international economic and financial matters and has played an important role in the evolution of the Alliance. The Secretary of the Treasury led the American delegation to several of the OAS meetings, including the Punta del Este meeting in 1961 which launched the Alliance and the First Annual meeting at Mexico City in 1962. Treasury officials worked closely with the Department of State in making the arrangements for financing economic and social development projects in the hemisphere in the formative period from 1958 through 1962.

The Secretary of the Treasury is chairman of the National Advisory Council on International Monetary and Financial Problems which is charged with coordination of United States policies in the field of international finance. The Council or its staff committee reviews all policy matters and directs the decisions of U.S. Directors of the Inter-American Development Bank and World Bank. Treasury

also is represented on all of the special coordinating or liaison committees including the Development Loan Committee. Treasury operates the Exchange Stabilization Fund to provide short-term foreign exchange support, generally in conjunction with an IMF stand-by arrangement coordinated with State and AID. In addition, a continuous interchange of ideas takes place between Treasury staff personnel, particularly in the Office of International Affairs, and the staffs of other agencies. This office directs and coordinates the activities of Treasury agents in the diplomatic missions abroad, assists in coordinating financial policies in international institutions and government agencies, and advises on financial problems arising in any of the programs. The Office of International Tax Affairs also cooperates in the work of the Alliance. The Foreign Tax Assistance Staff of the Internal Revenue Service provides assistance in tax administration to other governments including direct advisory and visitation service, training programs, furnishing of manuals and materials, helping with recruitment of specialized personnel, and conducting surveys and studies.

The Departments of Agriculture and Labor have been involved for some time in activities in Latin America and make important contributions to the development programs of the Alliance in research, technical assistance, and other ways. The Food for Peace Program, which is a highly

significant part of the Alliance, is an outgrowth of and dependent upon an Agriculture Department program. The Defense Department naturally has an interest in the Alliance because of the interdependence of all foreign assistance programs and their relation to security in the hemisphere, and also because of the current utilization of the military in under-developed nations. In addition to participating in the coordination and review of the assistance plans and programs, Defense includes civic action projects in its military assistance programs and is training Latin-American military leaders for participation in development work.

The Bureau of the Budget, the Census Bureau, the Bureau of Public Roads, and the Housing and Home Finance Agency have cooperated with AID by lending their special skills and talents to strengthen United States efforts in the Alliance. The Department of Health, Education and Welfare also provides highly important assistance in the fields of Public Health, medical research, education, and various other specialized areas.

IV. NON-GOVERNMENTAL ORGANIZATIONS

There is a great deal of non-governmental participation in programs related to the Alliance. Private business investment is one of the key aspects of the Alliance. Literally hundreds of other organizations also have some

interest in Latin American affairs and promote activities or provide assistance related to the Alliance. Foundations, universities, sister-cities, clubs, unions, relief agencies, and many other types of organizations contribute to Latin American welfare and development.

From 1960 through 1962, the Ford, Kellogg, and Rockefeller Foundations alone expended over \$25,000,000 in grants in Latin America.⁷ AID has contracted with the American Institute for Free Labor Development to carry out a hemisphere-wide effort to combine United States and Latin American union resources in training democratic union leaders and developing social projects needed by workers to raise their living standards. The AFL-CIO has been active in various Institute projects and other activities on behalf of labor in Latin America. The Cooperative League of the USA, the Credit Union National Association, and the National Rural Electric Cooperative Association are all engaged in important work for the Alliance.

Fifty-eight American cities are working with cities in seventeen Latin American countries in sponsoring a variety of community development projects. Several of the

⁷AID, Report to the Inter-American Economic and Social Council, presented by the Government of the United States to the Second Annual Meetings at São Paulo, Brazil (Washington, 1963), p. 101.

sister-cities are assisting and advising their counterparts on planning and administration. The State of California has arranged with Chile to make available the accumulated experience and the research and development resources of the state.

Many business firms are conducting training programs and other activities which contribute to better relations as well as economic growth. Voluntary organizations, such as CARE, Church World Service, Catholic Relief Service, and many others, contribute food, services, tools, and technical assistance.

This type of private participation is important for economic and social progress but also is currently a factor in the ideological struggle for the minds of many in Latin America. Most of the non-governmental efforts are not under any real control by the government, but State and AID furnish guidance, assistance in some cases, and attempt to coordinate the various efforts.

CHAPTER VI

UNITED STATES PROGRAMS

In the previous chapter, the organization for the Alliance has been shown; now some of the things that are being done will be related. American assistance in millions of dollars is shown in Table I below:

TABLE I
UNITED STATES ASSISTANCE TO LATIN AMERICA
OBLIGATIONS AND LOAN AUTHORIZATIONS
FISCAL YEARS 1962, 1963, and 1964

	1962	1963	1964
A.I.D.	474.8	555.9	631.2
Development Grants	79.0	109.1	83.3
Development Loans	288.6	432.8	479.0
Supporting Assistance	107.2	104.2	68.9
EXIMBANK	262.6	91.2	172.2
FOOD FOR PEACE	134.5	185.5	370.0
PEACE CORPS	7.3	15.2	17.6
SOCIAL PROGRESS TRUST FUND	224.4	124.8	38.4
TOTAL	1,103.6	972.6	1,229.4
GRANTS	310.6	275.1	336.9
LOANS	793.0	697.5	892.4

SOURCE: AID, U.S. Assistance to Latin America, Obligations and Loan Authorizations, FY 1949-FY 1963 (Washington, 1963), and July 15, 1964, Supplement. Columns may not add due to rounding.

It is apparent that substantial government financial resources have been made available through the Alliance. The assistance takes many forms. Because the long-range goal is to make self-sustaining the growth of the United States neighbors, a large proportion of the assistance is in the form of loans and technical assistance for infrastructure and economic development projects. However, other problems and other objectives require various programs in support of the different aspects of the Alliance.

I. DEVELOPMENT LOANS

A primary objective of the Alliance is to bring the social and economic development of each country to a point where it becomes capable of self-sustaining growth on its own human and capital resources and its ability to attract investment and credit. In pursuit of this objective, the largest portion of United States aid funds is used for development loans. These loans are intended for high priority capital projects which either produce revenue directly, are important to the economic infrastructure of a country, or promote important social development. This includes establishing or expanding manufacturing facilities, development banks, power, ports, transportation and communication facilities, and also schools, hospitals, housing and community development projects and programs. Loan funds

generally finance the foreign exchange costs involved. They may be used to finance general import programs in support of a comprehensive development program or some sector of a program, and to finance engineering and feasibility studies for individual projects. Technical assistance required in training personnel for a particular project may also be funded from the loan for the project. Capital project loans may include provision for management and training assistance not only to initiate operations but to carry on until local personnel can effectively operate the project. These loans are available to governments and to private enterprise. Loan terms are based upon the objectives of promoting long-term foreign debt. Maturity terms range from fifteen to forty years with grace periods up to ten years. Interest rates are usually substantially below the maximum of five and three quarters per cent, averaging two and six tenths per cent in calendar year 1962.¹

Criteria to be applied in granting loans have been fixed by legislation to include:

1. The responsiveness of the recipient country to the vital economic, political and social concerns of its people and the demonstration of determination to take effective self-help measures;
2. The economic and technical soundness of the activity to be financed;

¹AID, Principles of Foreign Economic Assistance (Washington, 1963), p. 17.

3. The relationship to other development activities and its contribution to realizable long-term objectives;
4. The possible effects on the United States economy;
5. Whether financing could be obtained in whole or in part from other free world sources on reasonable terms;
6. The efforts made to repatriate capital invested in other countries by citizens of the recipient country.²

Additional limitations were added in 1962 which forbid aid to countries that nationalize, expropriate, or seize property of United States citizens or corporations without speedy and equitable compensation or do not settle government indebtedness to American citizens. Restrictions also include the requirement that financial and technical planning and a reasonable estimate of cost be completed prior to signing agreements, limitations on the source and origin of goods and services, shipment on American flag vessels, and restrictions on assistance to countries engaging in certain aid or trade with Cuba.³

Many of the loans made by the Export-Import Bank are for periods in excess of five years and can be considered along with AID development loans. Recent examples of loans authorized under the Alliance by AID or EXIMBANK include:

²Ibid., pp. 16-17.

³Foreign Assistance Act of 1961, as amended August 1, 1962, quoted in AID, Report to the Inter-American Economic and Social Council, Prepared by the Government of the United States of America (Washington, 1963), pp. 75-76. Cited hereafter as Report to the ECOSOC.

BRAZIL

- \$4.3 million for expansion of electric power production and distribution in the central part of the country;
- \$24 million for loans for road construction and for the purchase of road maintenance equipment in the Northeast;
- \$5.5 million for expansion and modernization of the Volta Redonda Steel Mill.

CHILE

- \$40 million for importation of essentials to achieve and maintain investment and development levels under National Development Plan;
- \$11.3 million loan from EXIMBANK for U.S. capital equipment to increase production of steel company;
- \$7.0 million to Chilean Port Authority for port construction;
- \$1.3 million loan from EXIMBANK for U.S. electronic equipment for aviation network.

COLOMBIA

- \$17.5 million loan from EXIMBANK to National Electric Institute for improvement and expansion of municipal electric power systems;
- \$6.0 million in three loans from EXIMBANK to private concerns for machinery, equipment and plant expansion.⁴

II. TECHNICAL COOPERATION

Technical assistance and development grants are also

⁴ Loan information extracted from unpublished report by Thomas C. Mann, "Report to the President on Alliance for Progress Activities: December, 1963-May, 1964" (Washington, 1964), pp. 4-10.

important to the United States Alliance effort. Both of these forms of assistance are particularly needed in the least-developed nations, but they have relevance throughout Latin America. They may be provided to governments, public institutions, and to private entrepreneurs. Governments and quasi-governmental organizations receive the greater part of this assistance. Many of the countries need help in government administration before programs for development can be effectively planned. AID arranges for expert technical assistance to help bring the capabilities of the local institutions up to the necessary level. Implementation of long-range development programs requires even more highly trained personnel. Education and training are indispensable. The emphasis has been placed on creating lasting institutions, such as specialized schools and institutes, agricultural centers, and training and exchange programs to make these advances self-sustaining. Approximately \$240,000,000 was provided through AID for technical assistance in the first two years of the Alliance.⁵ This extensive effort supplements and is coordinated with the UN, OAS, and Tripartite programs, which are, in large part, supported by U.S. funds. Technical assistance is being provided in greater proportion now under contract by universities and

⁵Report to the ECOSOC, p. 109.

private organizations. Fifty Savings and Loan Associations and five hundred credit unions have been organized, and over one thousand labor union leaders have received training under these contract programs.⁶

Recent development grants for more than \$2,000,000 have been made to Bolivia for road construction, tax and fiscal reform, and improved administration, and agriculture demonstration centers.⁷

III. SUPPORTING ASSISTANCE

Supporting assistance has been defined as "economic aid used to advance United States national security and foreign policy objectives in situations where basic economic conditions make the strict criteria of development assistance inapplicable."⁸ Most of it goes to countries where external or internal security needs are critical, but it is also used to help maintain economic stability where military problems may not be a primary concern. Supporting assistance has been necessary in many cases in order to relieve balance of payments pressures or budgeting difficulties. A

⁶Ibid., p. 110.

⁷Mann, op. cit., p. 3.

⁸AID, Proposed Mutual Defense and Development Programs FY 1965 (Washington, 1964), p. 33.

goal of the program is to eliminate the necessity for this kind of aid. Argentina, Brazil, Bolivia, Colombia, the Dominican Republic, Ecuador, Haiti, and Panama are among the countries which have received this type of assistance since the start of the Alliance. AID, EXIMBANK, and the Treasury Department all provide emergency assistance and coordinate their actions with the International Monetary Fund.

Supporting assistance is directly related to some of our short-term objectives. It may bolster a friendly government, provide political and economic stability, maintain a presence, and perhaps gain us friendship and influence. Bolivia, Brazil, Haiti, and Panama have received this type of assistance during the first six months of this calendar year.⁹

IV. ENCOURAGING PRIVATE INVESTMENT

A most important aspect of American participation in the Alliance is the encouragement of the development of private enterprise in Latin America. One reason for this is the current ideological struggle between Marxist-Communism and the free enterprise system. Another very persuasive reason is the contribution which private enterprise can make to the immense development task. The public sector is

⁹AID, U.S. Assistance to Latin America, op. cit., July 15, 1964, Supplement.

already rather large in many Latin American countries, and taking into account the limitations to the availability of public funds, it is clear that the objectives of the Alliance cannot be achieved without the full participation of the private sector and adequate measures must be taken to assure maximum contribution to growth by the private sector.¹⁰

The encouragement of private enterprise has the particularly active support of the Congress, the Commerce Department, and the U.S. Chamber of Commerce, along with AID. Loans are one form of assistance. Private borrowers, both American and Latin American, are eligible for development loans. Investments which contribute to economic development and are related to long-range development plans are encouraged by AID. The investment in a new enterprise, or expansion or diversification of an existing one, must be approved by the government of the country in which the loan is to be made and must clearly contribute to economic development. Dollar loans are normally granted either by the EXIMBANK or AID to finance procurement of United States goods and services. Local currency loans may be made under Title I of P.L. 480. These "Cooley Loans" may be used for local costs including land acquisition, expansion of plant and equipment,

¹⁰Inter-American ECOSOC, Final Report, First Annual Meeting, At the Ministerial Level in Mexico City, October, 1962 (Washington, 1963), p. 116. Also see Frank Brandenburg, The Development of Latin American Private Enterprise (Washington: National Planning Association, 1963) for a treatment of this subject.

industrial training, working capital, and other normal costs of operation. More than \$4,000,000 worth of local currencies were loaned by AID under this program in fiscal 1963.¹¹

Another important incentive for private investors is the Investment Guaranty Program. AID provides the assurance of the U.S. Government that the investor will be protected up to an amount specified in a guaranty. Specific risk guarantees are granted against inconvertibility of foreign currency, expropriation or confiscation, and loss due to war. Bilateral agreements are in force between the United States and seventeen of the nineteen Alliance members to provide these guarantees. All guarantee convertibility, fifteen protect against expropriation, and seven include war risk as well. In early 1964, there were \$400,000,000 in guarantees to United States private investors in force under the program.¹² At the end of fiscal 1963, 665 applications were on hand for Latin American guarantees of almost \$3,000,000,000.¹³ Two types of extended risk guarantees are also available. Under the general guaranty, AID may insure up to 75 per cent of an investment up to \$10,000,000 in

¹¹Seymour Peyser, "Role of Private Enterprise," International Commerce, LXIX (November 4, 1963), p. 10.

¹²AID, Proposed Mutual Defense and Development Programs FY 1965, op. cit., p. 50.

¹³International Commerce, LXIX (November 4, 1963), p. 17.

priority development projects where private investment would not otherwise be made. Political and commercial risks, other than those normally insurable, are covered. The second type of extended risk guaranty is limited to private American investment in self-liquidating pilot or demonstration housing projects in Latin America. This latter type is intended to stimulate home ownership by middle income families by guaranteeing long term mortgage-type financing of housing projects.

Another encouragement to investors is the investment survey program under which AID underwrites half of the cost of investigating the feasibility of private investment opportunities. In order for AID to participate, there must exist reasonable prospects that the survey will result in an investment, the enterprise must contribute to economic development of the country and be consistent with the country's development program. If the firm decides to proceed with the investment, it repays AID's share of the survey cost. Nineteen surveys, costing \$418,000 and representing a potential \$41,000,000 investment, were approved in the first two years of the Alliance.¹⁴

Efforts to stimulate private enterprise are also directed toward encouraging Latin American businessmen and

¹⁴Report to ECOSOC, op. cit., p. 92.

firms to participate productively in their national economies. This is done through technical and financial assistance to investment promotion institutions, industrial development institutions, productivity centers, industrial parks, training programs, and other assistance projects. One of the most fundamental factors in the growth of private enterprise is the availability of credit. AID has provided more than \$280,000,000 to Latin American development banks and is encouraging more reasonable credit terms in a wide range of financing institutions. Also, a Private Investment Fund was established in Colombia in early 1963 with the help of AID and approved more than \$24,000,000 in loans from May through December.¹⁵ In Colombia, a pilot project is underway to determine how private programs can best be integrated into a national development program. AID and the Commerce Department, working with the government and private interests in Colombia, are applying all of the known techniques and resources available to promote a limited number of industries which have been identified in Colombia's Ten Year Development Plan as meriting special attention. Joint ventures of United States and local businessmen are encouraged as a particularly effective method of building a strong private sector.

¹⁵ "Private Investment Fund," report prepared by J. D. DeForest, Program Economist, Bogotá, Colombia, January 24, 1964.

Tax incentives are another measure for encouraging private investment. Various credits, exemptions, exclusions, and other measures have been taken in Latin America to promote investment in key development sectors. The Administration in the United States has proposed new tax credits on investments and reinvested earnings for investors in developing countries, and other measures to encourage private American capital to flow South.

V. FOOD FOR PEACE

The Food for Peace program enables surplus American agricultural products to be used to feed hungry Latin Americans and to contribute to development programs at the same time. Public Law 480, the Agricultural Trade Development and Assistance Act of 1954, provides the authority for this program. The Department of Agriculture determines the type and quantity of products available, supervises their handling up to the port of embarkation and is responsible for carrying out the sales agreements and barter provisions of the Act. AID administers the overseas operations of the program and coordinates this program with the rest of the foreign aid program. The Director of Food for Peace is a special presidential assistant on the White House staff. He coordinates the program as a whole. The foodstuffs may be distributed in cooperation with voluntary relief organizations or by

agencies of the host countries and other United States agencies both public and private.

Title I sales agreements call for payment in local currency which then remains within the purchasing country and is used for loans or grants for economic development. Up to 25 per cent of these funds can be used for "Cooley Loans" to private enterprise, part of the remainder is used to pay for local costs of the Embassy and other United States Government programs.

Title II authorizes the use of the commodities for feeding children, self-help development projects and emergency purposes. Part or all of the wages for work performed on development projects is paid in foodstuffs, or in money derived from the sale of these products. A number of important public development projects benefiting the entire community have been carried out through this method.

Title III authorizes the distribution of the surplus food through accredited non-profit relief agencies and inter-governmental organizations and also provides for the barter of these commodities for strategic and other material goods and equipment. The Red Cross, CARE, church organizations, U.N. specialized agencies, and other welfare and relief organizations distribute the food. A special part of this program, called "Operation Niños," is being undertaken for school age children in Latin America. Over nine million

children in eighteen Alliance countries are receiving the benefits of this food. In fiscal 1963, the Latin American countries contributed over \$13,000,000 to this part of the program, not including personnel costs. United States costs amounted to well over \$28,000,000 for the same period.¹⁶ An important side benefit of the program has been a reduction of absenteeism and drop-outs from the schools.

Title IV provides for credit sales of the commodities for ultimate repayment in American dollars. The local currency generated by the sale of the products is used for economic and social development projects. Credit periods may be extended up to twenty years, and the interest is three-quarters of one per cent.

The Food for Peace programs accomplish a number of humanitarian and development objectives, but they have also caused a certain amount of problems. Considerable care must be exercised to see that our surplus food does not disturb world and regional market conditions and lead to more widespread hardships than benefits. Many cases of misappropriation of foodstuffs have been alleged in recent years. However, in the case of Latin America, P.L. 480 programs are carefully monitored and appear to be quite successful.

¹⁶Report to the ECOSOC, p. 86.

VI. CIVIC ACTION

The Alliance was not conceived as a military program, but one of President Kennedy's ten points in his original Alianza speech included the statement "that armies cannot only defend their countries--they can, as we have learned through our own Corps of Engineers, help to build them."¹⁷ AID is now making funds, equipment and material available for projects undertaken by Latin American governments under civic action programs by their military forces.

Most of the Latin American countries are engaged in some form of civic action program. Among the activities in progress in 1963 were the following:

Road, airfield and bridge construction,
 School construction and educational activities including adult literacy and vocational training,
 Colonization and resettlement operations,
 Housing construction,
 Reforestation,
 Disaster relief,
 Medical care,
 Well digging and providing potable water.¹⁸

¹⁷John F. Kennedy, President Kennedy Speaks on the Alliance for Progress (Washington: AID, 1962), p. 9. Address at White House reception for Latin American diplomats on March 13, 1961.

¹⁸Hubert S. Cunningham, "Highlights of Civic Action Programs in Latin America," in Final Report Fourth Conference of the American Armies (HQ, U.S. Army Forces, Southern Command, Fort Amador, C.Z., 1963), p. 101.

The extent of these programs is rather surprising. Fifteen United States Mobile Training Teams have operated in eleven countries of Latin America to assist in training for civic action operations, and training is also conducted in Panama and in the United States. There is a certain amount of argument in some circles, both in Latin America and North America, concerning the wisdom of these programs. From our security viewpoint, civic action programs make good sense. In conjunction with counterinsurgency and other internal security operations, these programs can contribute a great deal to stability and to development efforts in Latin America. The violence in Venezuela and Colombia has demonstrated the need for this type of program, even in countries with stable, popularly-elected governments.

CHAPTER VII

MULTILATERAL PROGRAMS

Although some critics might argue that multilateral assistance programs have no proper role in supporting United States security objectives, there are a number of reasons why they must be included in this study. In the first place, they exist, and their role must be examined. Then too, they exist because they offer advantages to the national interest of various states, including the United States. Also, collaboration with other states is essential in finding solutions to some of the international problems involved, and such organized collaboration helps build a feeling of community across national borders which can help maintain (or regain) the hemispheric solidarity the United States seeks. Finally, the idea of international sponsorship and administration of development assistance has been recommended by many influential spokesmen, including some in significant government positions; and, with the implementation of CIAP, multilaterally-administered programs may become more important in the near future. Regardless of other considerations, these multilateral programs do contribute to economic development, which is one of the United States aims; and they are unlikely to raise the "intervention" cry which often causes problems for the United States.

I. THE ORGANIZATION OF AMERICAN STATES

As shown in Chapter IV, supra, the Alliance is an official part of the OAS under the Inter-American Economic and Social Council. The ECOSOC created the Inter-American Committee on the Alliance for Progress (CIAP) as

a special, permanent committee of the Inter-American Economic and Social Council for the purpose of representing multilaterally the Alliance for Progress, and, in the same way, coordinating and promoting its implementation in accordance with the Charter of Punta del Este.¹

The CIAP is now in the process of carving out for itself an influential position in decisions to provide financing for Alliance projects.

The CIAP has established a program of continual review and evaluation of national development efforts by special subcommittees. Representatives of major lending institutions will act as advisers to the subcommittees, and, hopefully, this will encourage the institutions to follow CIAP recommendations on grants and loans. The Committee hopes to speed up the process of obtaining external financing

¹Inter-American Economic and Social Council, Final Report, Second Annual Meeting, at the Ministerial Level, in Sao Paulo, Brazil, November, 1963 (Washington: Pan American Union, 1963), p. 10, in Resolution 1-M/63, creating CIAP.

and also to increase the total amount of resources made available.²

While the CIAP is establishing itself, the work of the Secretariat proceeds as assigned by the ECOSOC. Both the Department of Economic and Social Affairs and the Department of Cultural, Scientific and Educational Affairs are deeply involved in Alliance work. One of the new programs is called, "The Ideological and Political Advance of the Alliance for Progress"--an attempt to provide all sectors of public opinion in the hemisphere with a thorough knowledge and understanding of the objectives and achievements of the Alliance and to secure widespread participation in the planning and implementation of the Alliance. One part of this program is the Special Alliance for Progress Information Team in Washington. Another is the activities of national committees on the Alliance for Progress, made up of representatives of the different sectors of national life in an effort to insure active local participation in each country. These committees, active in sixteen of the Latin American nations, and subcommittees established in some of the leading provincial cities are instrumental in getting

²Inter-American Committee on the Alliance for Progress, Final Report, First Meeting of the Inter-American Committee on the Alliance for Progress, Mexico City, July, 1964, CIAP/71 (Washington: Pan American Union, 1964), p. 13.

information to the people through periodicals, exhibits, courses and lecture series, seminars, forums, and working groups. This is a large-scale propaganda effort operating to the advantage of the United States but conducted by the nationals of each country under the auspices of the OAS.³

The technical cooperation program is another very important aspect of the activities of the OAS in support of the Alliance. This includes direct technical assistance teams and missions to assist in such fields as taxation, agricultural economics, program budgeting, manpower planning, community development, and the formulation of national development plans. The regional training centers accomplish a double objective by strengthening the existing educational institution at which it is located as well as training leaders for some field, such as public administration, agriculture, social welfare, urban and regional planning, and many other subjects which are important in the implementation of the Alliance. Fellowship and exchange programs are also administered by the OAS. Although this might be considered to be somewhat removed from our primary interest, there has been an emphasis on studies related to economic and social development; this also serves as a part of the broader indoctrination effort.

³A report of the activities of this movement is found in Inter-American Economic and Social Council, The Alliance for Progress: Its Second Year: 1962-1963 (Washington: Pan American Union, 1964), pp. 179-187.

Much of the work of the Secretariat consists of collecting and analyzing data. The information gained from surveys and studies is made available to the organization and to the member countries to aid in planning and carrying out various programs in many different fields. Most of these activities are conducted in order to help member nations to help themselves. Budgetary limitations prevent the OAS from engaging in too much active participation in development work, but the studies and technical advice made available are very worthwhile. Task Forces have been formed in many areas related to development to facilitate the gathering and analysis of information and the making of pertinent recommendations.

The Secretariat also works closely with ECLA and the Inter-American Development Bank in various activities in support of the Alliance, such as the annual Economic and Social Survey of Latin America, advisory groups on development planning, taxation, agrarian reform and skilled manpower and productivity. An agreement signed in March, 1961, and amended in September, 1962, provides for joint programs with each member enjoying equal status and remaining responsible to its own governing body.

The following gives an indication of some of the OAS programs and the budget allocations for them:

Technical Education for the Improvement of Agriculture and Rural Life	\$380,235.00
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Course in Administration of Social Welfare Programs	\$ 70,216.00
Program for Advanced Training in Applied Social Sciences	21,016.00
Program in Business Administration	143,056.00
Training and Studies in Agricultural Credit	129,085.00
Program in Urban and Regional Planning	295,927.00
Training and Studies in Agrarian Reform	496,491.00
Regional Standardization Program for Assisting Economic Integration	110,198.00
Training Program for Community Development	146,525.00
Training Center for Regional Economic Development	260,732.00

These are some of the OAS activities approved for 1964.⁴

II. THE INTER-AMERICAN DEVELOPMENT BANK

The establishment of the Inter-American Development Bank predates the Alliance by a few years and had been favored by some important elements of the Eisenhower administration for some time prior to official approval.⁵ The Bank is a highly important institution in the implementation of the Alliance, and it also provides an excellent method

⁴IA ECOSOC, Final Report, Second Annual Meeting, op. cit., p. 47.

⁵Milton S. Eisenhower, The Wine is Bitter (Garden City: Doubleday, 1963), pp. 209, 229, and 230.

for the United States influencing decisions in Latin America without raising the spectre of intervention. The weighted voting and selecting of six Executive Directors from groups of Latin American states, as described in Chapter IV, supra, achieves a balance between national pride and economic participation which has contributed toward amicable working relationships. Far more money flows into Latin America from other sources, but that does not detract from the importance of the IDB. In addition to its loan operations, the Bank provides technical assistance, helps to arrange financing for national development plans, and helps promote regional economic integration in Latin America.

The original subscriptions, after Cuba failed to contribute, were \$813.6 million in ordinary capital resources and \$146.3 million in the special fund. In 1963, these amounts were raised to \$1,813.6 million and \$219.5 million, respectively. This substantial amount of capital allows the bank to borrow additional funds in the world's capital markets. The United States also raised the Social Progress Trust Fund, which was nearly depleted, from \$394 million to \$525 million.⁶

From its first loan in February, 1961, until the end of 1963, the Bank authorized \$875.1 million in loans. Of

⁶Inter-American Development Bank, Fourth Annual Report, 1963 (Washington, 1964), pp. 3 and 84.

this amount, \$385.8 million was from ordinary capital resources, \$121.7 million from the Fund for Special Operations, and \$367.6 million from the Social Progress Trust Fund. Slightly less than half of the \$507.5 million of the Bank's own resources has been authorized for projects in the private sector, a considerable portion in the form of loans to national development institutions for relending.⁷

One of the important activities of the IDB is providing technical assistance. Through 1963, over \$23,000,000 had been authorized for technical assistance operations. A substantial part of this amount was devoted to pre-investment and general planning studies, the formulation of projects, and the preparation of studies of multi-national interest as well as the creation, or reorganizing and strengthening, of agencies active in social development fields and in mobilizing resources, and the training of professional personnel in various areas of economic and social development. This basic, prerequisite type of technical assistance helps smooth the way for other development assistance from various sources. More than one thousand Latin American officials connected with development work received training under the technical assistance programs of the IDB during its first three years.

⁷Inter-American Development Bank, Activities 1961-1963 (Washington, 1964), p. 2.

Quite obviously, the principal activity of the bank is making loans. As noted earlier, there are three different sources of IDB loans with some overlap in function. Agricultural development has received the largest proportion of loan funds. These loans have been made for mechanization programs and expansion of agricultural and livestock production, irrigation and improved land use projects, and for land settlement programs. Over \$245,000,000 has been committed to the agricultural sector for projects costing over \$700,000,000.

Industry and mining received the next largest share of loan funds, nearly \$200,000,000. These loans have been in the form of direct loans to both public and private enterprises and lines of credit to development agencies for re-lending. A great variety of industrial activities have benefited from these loans. The total cost of the projects partially financed by these loans is about \$600,000,000.⁸

Infrastructure projects, water supply and sanitation, housing and education projects and programs also have received substantial amounts of loan funds from the IDB. The Bank also has been active in attempting to promote outside participation in the financing of development plans. The Bank's representatives work with the Development Assistance

⁸ IDB, Fourth Annual Report, op. cit., p. 4.

Committee of the OECD, the Atlantic Community Development Group for Latin America, and various countries and groups to attempt to mobilize financing for national development plans. From the foregoing, it is apparent that the IDB is an integral part of the Alliance, an important cog in the machinery of Latin American development.

III. THE WORLD BANK

The World Bank, or International Bank for Reconstruction and Development (IBRD), and its affiliates, the International Finance Corporation (IFC) and the International Development Association, are active in development financing in Latin America. The IBRD has been engaged in operations in Latin America since 1948, the IFC since 1957, and the IDA since 1961. They are specialized agencies of the United Nations; but, because of their autonomous operation and particular significance for economic development, they are discussed separately herein.

The IBRD has provided most of its Latin American loans for the development of electric power and improved transportation. The agricultural, industrial, and communications sectors also have received some loans from the bank. More than \$2,059,000,000 have been authorized in 136 loans in Latin America up to June 30, 1964.⁹

⁹International Bank for Reconstruction and Development,

The IBRD has also contributed a significant amount of technical assistance. Engineers and financial experts regularly visit participating countries investigating existing projects and providing valuable assistance on new proposals. Special missions have been sent to a number of countries to make studies of specific economic sectors, geographic areas, or particular problems or to conduct broad economic surveys as was first done in Colombia in 1949 to form a basis for the national development plan of that country. Staff members have been stationed in several countries as resident representatives to advise the government and assist in the preparation and execution of development plans and policies. Technical assistance is also offered in cooperation with other agencies, such as the United Nations Special Fund and the Food and Agriculture Organization. The Bank helps train personnel and conducts the Economic Development Institute in Washington to provide economic management training for senior officials from less-developed countries.

The International Development Association began operations in late 1960 to provide loans to less-developed countries on terms less burdensome for their struggling

Eighteenth Annual Report (Washington, 1963); and early partial report, International Bank for Reconstruction and Development, "Facts About the World Bank and the International Development Association," as of June 30, 1964 (Washington, 1964).

economies. Ten credits, totaling \$81.95 million, have been extended to Latin American states by IDA, almost all for highway development programs.¹⁰ These development credits have been granted interest-free for fifty years with an initial ten-year grace period. There is a three-fourths of one per cent service charge on the amount actually withdrawn and outstanding. Such favorable terms make these credits highly advantageous for the recipients, an important supplement to the more conventional loans received from other sources. The liberal terms ease the debt-servicing problem and help protect the future foreign exchange position of the borrowing states.

The International Finance Corporation promotes industrial development through investments in productive private enterprises. IFC can invest in shares of capital stock, make loans with profit-sharing or other equity features, or underwrite new issues of shares. It also can finance the operations of privately-owned industrial development corporations, usually called Financieras, which relate to local industry. Up to June 30, 1964, the IFC made commitments of over \$66,000,000 in Latin America, mostly in the larger, more industrialized countries.¹¹

¹⁰International Development Association, Annual Report 1962-1963 (Washington, 1963); and supplementary IBRD, "Facts . . . Association," op. cit.

¹¹International Finance Corporation, Seventh Annual

The World Bank Group, thus, provides development assistance which helps promote the economic success of the Alliance for Progress. Both in fiscal 1962 and 1964, the group authorized over \$400,000,000 in credits to Latin America. This is a very significant percentage of the total outside assistance envisioned by the architects of the Alliance. The IBRD also organized a consultative group to help finance the Development Plan of Colombia, the latest and one of the most striking of a long list of achievements in the close cooperation between the bank and this enterprising country. As Under Secretary George Ball has stated:

The Bank's contribution has transcended the mere extension of credits; its leadership has served to give direction to the total effort, both bilateral and multilateral. It has devised mechanisms to encourage the coordination of assistance. It has been a counselor and friend to new nations and has lent its good offices to the reconciliation of disputes among them.¹²

IV. THE UNITED NATIONS

In addition to the World Bank Group, the United Nations Organization contributes to the Alliance in many ways. Perhaps the most important contributions thus far have come from the Economic Commission for Latin America

Report, 1962-1963 (Washington, 1963); and IFC, "Facts About IFC," as of June 30, 1964 (Washington, 1964).

¹²Department of State Bulletin, XLVII (October 15, 1962), p. 576.

(ECLA). This organ of the UN Economic and Social Council has long been at the intellectual forefront in development planning. ECLA helped mold opinion in Latin America toward a consensus which emerged in the Act of Bogotá and the charter of the Alliance.

Since the 1961 Punta del Este meeting, ECLA has cooperated much more closely with the OAS and the IDB. ECLA's primary functions are basic economic research and improved planning methods and techniques. From 1962 through early 1964, world trade policy was a major concern. Economic integration is now receiving considerable attention.

In addition, ECLA provides technical assistance, information and advisory services and, in cooperation with other agencies, participates in various programs and task forces to improve economic development and trade policy. The Latin American Institute for Economic and Social Planning in Santiago was founded by ECLA to provide training for government officials in the planning field. Here again, ECLA is providing a service in direct support of some of the goals of the Alliance.

The International Monetary Fund is a specialized agency of the United Nations which contributes to the Alliance in its distinctive way. The resources of the Fund are not used for development purposes, but the drawings and standby arrangements help alleviate balance of payments

problems and can thereby assist in maintaining necessary import levels of capital goods required for development. In addition, the IMF is able to exert some influence on borrowing governments to take fiscal and monetary measures necessary to correct the conditions causing chronic balance of payments deficits. The pressure brought to bear by the Fund may not always be effective, but it is another case of an international lever working to accomplish goals desired by the United States and included in the Alliance. All Alliance members are IMF members, and almost all have taken advantage of Fund drawings.

A number of other organs and agencies of the UN participate in activities in direct or indirect support of Alliance objectives. The UN Special Fund, the World Health Organization, and the Food and Agriculture Organization support or conduct activities which directly contribute to the success of the Alliance. Often these activities are in conjunction with OAS activities or ECLA. The UN Educational, Scientific and Cultural Organization, the International Children's Emergency Fund, and the International Labor Organization also provide valuable assistance. Technical assistance provided by United Nations agencies plays an important part in the development effort in Latin America.

V. OTHER GROUPS

Several other international groups also participate in one way or another. The Development Assistance Committee of the Organization for Economic Cooperation and Development and the Atlantic Community Development Group for Latin America (ADELA) are two which may turn out to be among the most important. Viewing all of these organizations, one can see how multilateral programs can and do contribute to economic and social development and reforms. Accepting the premise that accelerated economic development in Latin America is advantageous in the long run for the United States, one can afford to ignore the loss of short-term advantages forfeited by not having direct purse-string leverage, taking the long-range view of the benefits of having stronger, more affluent neighbors. Multilateral organizations furnish mutual commitments to accepted goals and a working relationship and interchange of ideas that may be very much lacking in bilateral relations. Representatives of international organizations are more likely to be accepted in the decision-making consultations of a member government than the representative of the United States would be. Difficult decisions need not be ignored because of the fear of damaging bilateral relations. Widespread participation gives a broader consensus and broader

identification with the objectives and activities in question.

Programs which induce changes raise touchy political problems. There is consequently a strong case for multilateral management of such programs in the whole field of technical aid and investment loans for economic development.¹³

In the case of the Alliance for Progress, the multilateral aspects form a part, but a very important part, in its chances for success.

¹³"The Operational Aspect of United States Foreign Policy," in United States Congress, Senate, United States Foreign Policy, Sen. Doc. No. 24, 87th Cong., 1st Sess. (Washington, 1961), p. 565.

CHAPTER VIII

SOME RESULTS IN LATIN AMERICA

The methods, the organization, and the programs of the Alliance have been shown. Now it is time to survey some of the accomplishments. At the second annual review of the Alliance in October and November, 1963, the Inter-American Economic and Social Council concluded that "member countries have achieved positive gains" in the second year of the Alliance.¹ The final report of the Council concentrated upon things that needed to be done, not things that had already been accomplished. This is hardly surprising, considering the enormity of the task and the fact that it is a ten-year program. Early gains are nevertheless important, and an attempt will be made to review some of them.

I. CHILE

Chile, Colombia, Venezuela, and Brazil are four of the Alliance countries that deserve attention. Chile has the second highest per capita national product in Latin America, a high literacy rate, and a very industrious population. The Ten-Year National Development Program, which was

¹Inter-American Economic and Social Council, Final Report of the Second Annual Meeting, at the Ministerial Level in São Paulo, Brazil, November, 1963 (Washington: Pan American Union, 1963), p. 78.

undertaken in 1961, is progressing satisfactorily. Tax reform was one of the first measures taken to spur development and social progress. Tax collection and administration is being improved with the help of Internal Revenue Service advisers from the United States. Domestic savings and investment and the stability of the currency are problems which are still receiving attention. Industrial development, although substantial, has not been as great as had been hoped. Low cost housing is being built at a rapid rate in accordance with the development program, and the new savings and loan association program is proving to be very successful. Land reform is progressing slowly. The benefits of progress are slow in reaching the vast majority of Chileans, and inflation is a perennial problem.

Chile presents a challenge to American foreign policy because of the possibility of a pro-communist government's coming to power in the September, 1964, elections. Alliance aid is one of the major tools of the United States policy in attempting to prevent this highly undesirable eventuality. Thus, Chile represents a real test for foreign aid diplomacy and the Alliance for Progress. The recent rupture of relations with Cuba represents a victory for United States policy, but one which could be reversed at the polls.

II. COLOMBIA

Under the dynamic leadership of Dr. Alberto Lleras Camargo, Colombia was a leader in planning, enacting legislation, and obtaining financing for economic and social development. Guillermo Valencia has succeeded Lleras as president, but the National Front government, which has the support of both major parties, retains its ability to pass strong legislation and impose stringent controls on the economy. The government has included the leaders of the business community and organized labor and other private sector groups as participants in the planning process.

Extensive changes have been made in the structure and administration of the tax system. Widespread measures have been taken to promote savings, investments, and industrial growth. Agrarian development plans include provisions for increased credit, incorporation of technological advances, and better transportation and marketing facilities, as well as land reform. Extensive highway and railroad improvements and the increase in electric power output benefit large segments of the populace. Housing construction has increased dramatically; low cost public housing starts rose to nearly 32,000 units in 1963.² Private housing construction also is increasing rapidly.

²Inter-American Development Bank, Social Progress

The private sector plays a major role in Colombian development. The Coffee Growers Federation, the National Association of Industrialists, and other groups play an active role in development activities. In early 1963, a Private Investment Fund was created to provide an additional credit source for small and medium-size enterprises, and there are five major financieras helping to provide capital for private ventures.

The military forces in Colombia also contribute a significant amount of support to development efforts; the Air Force even provides airline services for settlers in remote areas. The extensive civic action program is helping to reduce the terrorist activities which have plagued the country since 1948 and to encourage more widespread participation in development activities among the rural population.

III. VENEZUELA

Venezuela has also had the advantage of strong democratic leadership. Former President Rómulo Betancourt brought his country to the forefront of developing nations. Well over two billion dollars per year in oil exports is another big advantage which Venezuela enjoys.³ Stable

Trust Fund: Third Annual Report, 1963 (Washington, 1964), p. 198.

³U.S. Agency for International Development, Latin

government and a stable economy are encouraging investment. The government has established the Venezuela Development Corporation, the Development Financing Corporation, and the Fund for Stabilization of Mortgage Bonds which are promoting private enterprise. Excellent highways have been built and electrical power output has doubled since 1958.⁴ Agrarian reform has been very extensively carried out. Nearly sixty thousand families have been resettled on farms; irrigation, power plants, roads and storage facilities are being built, and a farm mechanization program is being carried out. In addition, credit is being made available; and schools, hospitals, water supply and sewerage systems are being built in a rural community development program. The army has played an important role in the development process, primarily by keeping the Communist violence in check. When Dr. Raúl Leoni succeeded Betancourt as President, Ted Szulc wrote:

President Leoni's inauguration was a spectacular victory not only for Venezuelan and Latin-American democracy but also for the Alliance for Progress as a broad political and philosophical concept. This was so because the survival of Venezuelan democracy despite the conspiracies by Communists and, earlier, by the extreme right, resulted primarily from the practice of progressive economic and social policies

America: Trends in Production and Trade (Washington, 1963), p. 33.

⁴Ibid., p. 27.

that were advanced hand and hand with the maintenance of political liberties.⁵

IV. BRAZIL

Brazil has presented an interesting contrast. Political and economic conditions became so chaotic under President Joao Goulart that the net influx of foreign private capital was practically eliminated; the World Bank, the IMF, and the Export-Import Bank declined to make new assistance available and economic growth slowed to a virtual standstill. The efforts of the United States Government and the World Bank Group to force the Brazilian government to take effective fiscal and monetary stabilization measures were unsuccessful.

The largest and one of the most important of the Latin American Alliance members, the "Sleeping Giant" could not be ignored. AID programs continued throughout the period of Goulart's rule, although at a rate inconsistent with the needs of Brazil. The American policy appears to have been successful because that leftist regime, which may have been dangerously close to communism, was removed from the keystone country of South America in April, 1964.

The actions of the government of General Humberto Castello Branco have not all been completely beyond criticism,

⁵The New York Times, March 15, 1964, p. E5.

but the political and economic principles and general policy of the new government appear to be oriented toward the United States. The plans for stabilization and development presented by Minister of Economic Planning Roberto de Oliveira Campos will, if successfully implemented, slow inflation and provide an economic climate more conducive to external financing and accelerated growth.

V. FUNCTIONAL AREAS

Although it is easy to slip into generalities, in some ways one can measure material accomplishments more readily by monitoring the progress in various functional areas rather than looking at overall progress in individual nations. Some of the basic areas of reform and development to which attention has been directed under the Alliance will be discussed now, and an attempt made to evaluate the progress that has been made.

New agrarian reform legislation has been enacted by more than half of the governments of Alliance members. Although these legislative battles have been won, numerous and complex problems remain in the way of implementation before the full benefits of these reforms can be realized. Most of the rest of the Latin American governments have, at least, drawn up proposals for land reform and improved agricultural development. Although concrete results have been slow in

manifesting themselves, perhaps an all-important benefit has already been achieved--that is, the break with tradition and the move toward new solutions to age-old problems. In the spring of 1964, an estimated 25,000,000 acres had been distributed through reform programs since the start of the Alliance.⁶

Tax reform is another basic measure which must be undertaken in order to achieve the desired social reforms. New legislation has been enacted in more than half of the member countries to provide increased resources for development and spread the tax burden more equitably. More efficient collection procedures and enforcement measures have also been important considerations. Chile, Colombia, Mexico, Peru, and Venezuela have substantially improved their systems since 1961.

Extensive housing programs have been launched. Every country, except Haiti, has formed national housing agencies and prepared national housing programs. The new low-cost housing programs not only help to ease social tensions but also provide a boost to the economy by increasing employment and stimulating the construction industry and related business enterprises. Self-help programs alone which have already been approved for financing under the Alliance will

⁶Alliance for Progress Information Team, Press Release 63024-E (Washington: Pan American Union, 1964), p. 4.

result in over 220,000 new homes for 1,500,000 people.⁷ Chile has programmed 15,000 new units annually, and Colombia 28,000 annually, increasing to 30,000 in 1967. Important strides have also been made in making credit available for housing, such as the increase of savings and loan institutions.

Health and education programs have advanced rapidly. Among the many health efforts, water and sewerage systems are being built which will benefit eighteen million people.⁸ Vaccination programs, new hospitals and mobile medical facilities, and many other public health activities are in progress. Twelve million Latin American children are being fed under various Food for Peace Programs.⁹ More than eight thousand new classrooms were built and nearly four million textbooks produced during the first two years of the Alliance.¹⁰ Extensive efforts have been made to improve education and training facilities and to make them available to increasing numbers of students. The development of human resources is recognized as one of the most important aspects of the Alliance.

⁷U.S. Agency for International Development, Proposed Mutual Defense and Assistance Programs FY 1965 (Washington, 1964), p. 49.

⁸Ibid.

⁹Ibid.

¹⁰U.S. Agency for International Development, U.S. Assistance to Latin America, Obligations and Loan Authorizations, FY 1949-FY 1963 (Washington, 1964), p. 7.

Export volume and income have increased, power and transportation facilities are expanding, and domestic industries are showing increasing signs of life. Although a great deal remains to be done, Teodoro Moscoso has written that:

The progress achieved during the two years since the Charter was signed shows more action by the Latin Americans in the enactment of basic reforms than in the preceding half-century.¹¹

¹¹Teodoro Moscoso, "Two Years of the Alliance," International Commerce, LXIX (November 4, 1963), p. 3.

CHAPTER IX

THE NINTH MEETING OF FOREIGN MINISTERS

The summer of 1964 brought a test of the political effectiveness of American policy in the hemisphere. The Ninth Meeting of Consultation of Ministers of Foreign Affairs, serving as Organ of Consultation in application of the Inter-American Treaty of Reciprocal Assistance, was held in Washington from July 21 to 26. This meeting provided an opportunity to mobilize support for meaningful action against Castro-Cuba.

The Government of Venezuela had requested that the Council of the OAS convoke the Organ of Consultation to consider measures to be taken against the Government of Cuba for acts of aggression and intervention in Venezuela. In December, 1963, the Council, acting provisionally, appointed a committee to investigate the charges and convoked the Organ of Consultation to meet at an unspecified future date, later set at July 21.

The investigating committee found that the Cuban government had conducted a hostile and systematic propaganda campaign against the Betancourt government and had incited and supported subversion in Venezuela. Not only were funds and training provided from Cuba, but arms and ammunition as

well. An arms cache discovered on November 1, 1963, furnished concrete evidence of Cuban involvement.

Previous attempts by the United States and some of the Caribbean countries to move the OAS to take effective sanctions against Castro had met stiff opposition and resulted in watered-down resolutions and the "exclusion" compromise of 1962. The protracted delay in scheduling this Foreign Ministers' meeting indicated some possibility that a decision was being avoided, tending to raise the inference that sanctions were not feasible under the then-current climate of opinion among the OAS membership. However, important changes in South America made the task of arriving at a consensus for action somewhat less difficult in 1964. Argentina and Brazil no longer remained aligned with Mexico in a powerful opposition bloc. A new government in Ecuador also brought a changed viewpoint from Quito. Thus, three of the six members who voted against the exclusion of the Castro regime from OAS activities at Punta del Este in 1962 no longer felt constrained to obstruct action against the Havana government. Although unanimity was still patently impossible, the strength of the opposition had been reduced considerably.

Secretary Rusk's address to the Ministers on July 22 included recommendations which bore a not unnoticeable

similarity to the resolutions which were later adopted.¹ The period of nearly eight months which had elapsed since the OAS Council first started the proceedings against Cuba had apparently been utilized effectively by the United States and the other supporters of a hard line against Cuba.

I. RESOLUTIONS

The Foreign Ministers adopted six resolutions, the first of which is directly quoted below:

1. To declare that the acts verified by the Investigating Committee constitute an aggression and an intervention on the part of the Government of Cuba in the internal affairs of Venezuela, which affects all of the member states.
2. To condemn emphatically the present Government of Cuba for its acts of aggression and of intervention against the territorial inviolability, the sovereignty, and the political independence of Venezuela.
3. To apply, in accordance with the provisions of Articles 6 and 8 of the Inter-American Treaty of Reciprocal Assistance, the following measures:
 - a. That the governments of the American states not maintain diplomatic or consular relations with the Government of Cuba;
 - b. That the governments of the American states suspend all their trade, whether direct or indirect, with Cuba, except in foodstuffs, medicines and medical equipment that may be sent to Cuba for humanitarian reasons; and
 - c. That the governments of the American states suspend all sea transportation between their

¹State Department Bulletin, LI (August 10, 1964), pp. 178 and 179.

countries and Cuba, except for such transportation as may be necessary for reasons of a humanitarian nature.

4. To authorize the Council of the Organization of American States, by an affirmative vote of two thirds of its members, to discontinue the measures adopted in the present resolution at such time as the Government of Cuba shall have ceased to constitute a danger to the peace and security of the hemisphere.

5. To warn the Government of Cuba that if it should persist in carrying out acts that possess characteristics of aggression and intervention against one or more of the member states of the Organization, the member states shall preserve their essential rights as sovereign states by the use of self-defense in either individual or collective form, which could go so far as resort to armed force, until such time as the Organ of Consultation takes measures to guarantee the peace and security of the hemisphere.

6. To urge those states not members of the Organization of American States that are animated by the same ideals as the inter-American system to examine the possibility of effectively demonstrating their solidarity in achieving the purposes of this resolution.

7. To instruct the Secretary General of the Organization of American States to transmit to the United Nations Security Council the text of the present resolution, in accordance with the provisions of Article 54 of the United Nations Charter.²

This resolution was adopted by a vote of 15-4, Bolivia, Chile, Mexico, and Uruguay voting against it.

A Declaration to the People of Cuba was adopted which expressed the hope that the Cubans might be able to "liberate themselves from the tyranny of the Communist regime that

²Pan American Union, Final Act, Ninth Meeting of Consultation of Ministers of Foreign Affairs (Washington, 1964), pp. 5 and 6.

oppresses them"³ and which also extolled the ideas of human rights, liberty, and representative democracy. This resolution was adopted without a negative vote--Uruguay joining the majority, while Brazil, Chile, and Mexico abstained. Even more popular in the voting, a resolution to work toward regional and international economic coordination and other economic development goals was adopted unanimously, as was a resolution to transmit to the OAS Council Argentina's proposal concerning diplomatic relations among the member states.

II. INTERPRETING THE RESULTS

As the meeting closed, it could be considered a qualified success. At last, the Castro government had been tried and convicted, so to speak, by the inter-American group charged with the multilateral maintenance of security in the hemisphere. More than the required two thirds of the member states agreed that the acts of the Cuban government constituted "an aggression and an intervention," and voted to impose sanctions. This in itself was an important victory. Also noteworthy was the fact that the majority considered unnecessary the expediency of making the sanctions voluntary through a recommendatory resolution or other strategem of this type. The affirmative positions of

³Ibid., p. 8.

Argentina and Brazil, undoubtedly, helped make unnecessary a concession of this sort.

Perhaps some critics may point out that this major shift in strength might be related to the internal political positions of conservative military elements in Argentina and Brazil. This certainly is a factor; however, comparisons with the former days of Trujillo, Pérez Jiménez, and Anastasio Somoza hardly seem fair. This is a continuing problem for the United States because the more conservative Latin American governments appear to be more friendly toward United States policies and methods than the more leftist governments. This problem is larger than the Alliance, yet intrinsic to it. At the present time, military-oriented governments and undemocratically-constituted regimes are not only tolerated but sometimes looked upon rather favorably as long as promises of free elections or other trappings of democracy are offered.

The fact that the four dissenters voted negatively rather than abstaining perhaps indicated the firmness of their opposition. This qualified the extent of the United States victory because of the possibility of non-compliance with mandatory sanctions by four members. Such an eventuality would have a highly corrosive effect on the OAS and the Rio Treaty.

Some observers speculated that these votes were

designed to placate leftist and anti-Yankee political elements at home, but that the sanctions would later be invoked at a more propitious time, such as after elections or changes of government. However, the Government of Chile did not wait long, President Jorge Alessandri declaring within a month of the Foreign Ministers' Meeting that "the resolution against Cuba has to be complied with. If not, it would imply a serious precedent and mean sooner or later the withdrawal of Chile from the inter-American system."⁴ Bolivia and Uruguay later followed suit, but the new government of Gustavo Díaz Ordaz in Mexico has shown no more inclination to sever relations with Cuba than the López Mateos government which voted against the sanctions.

The Mexican refusal to carry out the sanctions voted by the Foreign Ministers sets a very dangerous precedent in the OAS. The fact that none of the other nations chose to disregard the mandate of the Organ of Consultation helps make the current situation fairly harmonious, but it does not alter the fact of a very unfortunate precedent. The Rio Treaty protects the sovereignty of the member states by excepting the use of armed force without the consent of each government, but all other sanctions are binding on all

⁴Time LXXXIV (August 21, 1964), p. 27.

members.⁵ Thus, Mexico has violated Article 20, meanwhile protesting that Rio Treaty sanctions do not apply to "situations of the kind and nature dealt with by this Meeting of Consultation."⁶ Since effective action will always depend on the support of the individual governments, this defection by Mexico does not presage the collapse of the inter-American security system, but it is an unfortunate decision which may hamper the operation of the system in the future, and it prevents Cuba from being isolated from the rest of the hemisphere in the present.

Despite these considerations, this Meeting of Consultation must be considered a success for the American policy. A great majority of the Latin American governments officially recognized the dangers presented by a Communist government in the hemisphere and by Castro-Cuba's activities in particular. Not only have these dangers been recognized, but this time action was taken, sanctions were imposed.

A conclusion that the Alliance for Progress was the principal cause of this American victory would be rather difficult to document. However, the Alliance has been the dominant ingredient of hemisphere relations since mid-1961

⁵ Inter-American Treaty of Reciprocal Assistance, Article 20.

⁶ Pan American Union, op. cit., Statement of Mexico, p. 11.

and, therefore, it must be assigned some causal relationship. One might well speculate on the actions of Bolivia and Chile had there been no Alliance. Can a relationship be established between the Alliance and the overthrow of Goulart? The "pork barrel" and "logrolling" are political techniques that work rather well at home; are they now being used effectively in international affairs. Perhaps it is more accurate as well as more fashionable to say that rather we are building a consensus against communism in the hemisphere. However it is enunciated, our policy depends upon a large outlay of government funds for foreign aid. The Alliance for Progress is the test vehicle, and this is one test which it passed.

CHAPTER X

CONCLUSION

Throughout this thesis, many questions have been asked and some of them have been answered. One very basic, underlying question which remains partially unanswered is whether foreign aid is actually a reliable, effective instrument of foreign policy, capable of contributing to the security of the United States. An attempt has been made to show an affirmative relationship, but the Alliance itself will furnish the best answer sometime in the future.

For the present, the problems of Latin America have been analyzed and related to the national interest of the United States. Five types of threat to United States security have been postulated, and one sees that the Alliance provides support for meeting each type. The solidarity and improved relations encouraged by the Alliance are useful in uniting the hemisphere to resist outside aggression. This solidarity and rapport, plus the economic interdependence fostered by the Alliance, offer a deterrent to border wars or other forms of overt aggression within the hemisphere.

The goals of economic and social progress of the Alliance are even more directly related to preventing the domestic unrest and violent indigenous revolutions which

were identified as the third type of threat and communist-inspired subversion and revolution, which was the fourth type. Finally, the whole concept of the Alliance is designed to promote friendly relations with all democratic elements of all Latin American countries and thus, in effect, to avoid the fifth form of threat--unfriendly Latin American governments. The United States certainly hopes to prevent actual or potential enemies from establishing any more military bases in this hemisphere.

The Alliance directly contributes toward our long-range goal of independent, self-supporting Latin American nations. Another objective is that the development process takes place under free institutions, which is somewhat of a problem in some cases. Stable governments are not guaranteed, although they are hoped for, since they offer some continuity and order in development planning and implementation. United States military assistance programs may help to promote a certain stability in some member governments.

The tremendous increase in communication and emphasis on increased trade should serve to increase the possibilities for keeping open trade routes and profitable trade relations despite some import substitution and other attempts by the Latin Americans to arrive at a more favorable trade balance.

While the Alliance does not directly encourage

military alliances, it does not prevent them. The friendly relations which hopefully result may very well encourage Latin American governments to grant overflight and landing rights and perhaps bases for United States military forces in the event of war.

One can see that the Alliance is designed to help promote United States objectives and to meet the possible security threats in Latin America. At the root of the matter is the social injustice and economic underdevelopment of the area. So much space has already been devoted to these problems and how the Alliance is attempting to solve them that here it is necessary only to state that these problems are recognized and they are being attacked under the Alliance. Their solution is a very long-range project. There can be no question of the effectiveness of the Alliance in facing these problems, only in solving them.

Not only does the Alliance face a string of annual appropriations fights in the United States Congress, but it must pass continual tests among the peoples as well as the governments of the Latin American nations. Many difficult decisions must be made, and often the unpleasant choice is the only one that will produce success. The voluntary relinquishing of privileges and benefits long considered appropriate to one's hereditary position does not come easily. New financial burdens are not eagerly accepted by

the old aristocracy or by the struggling middle and lower sectors. The effectiveness of the Alliance rests, to a great extent, on the outcome of these domestic struggles in the several member states.

The Alliance cannot be isolated from other foreign policy considerations. In the often violent, frequently unscheduled changes of government in Latin America, the United States usually becomes a party, even if it is only a matter of the timeliness of recognition of the new government. The actual or alleged meddling by the United States in the internal political problems of Latin American nations continues to present problems. In these areas, some short-term measures taken by the United States may be necessary and effective, but, at other times, the multilateral approach can be better employed. Unilaterally withholding aid funds, nonrecognition, and measures of this type are somewhat extrinsic to the Alliance, but collectively imposing preconditions for receiving Alliance funds is not. Political problems have a very direct bearing on the operation of the Alliance as well as on its chances for success.

Political problems lead us naturally to the Organization of American States. The Alliance is, to some extent, an attempt to keep the OAS viable. There is a definite relationship between U.S. security objectives and the OAS which is designed

to achieve an order of peace and justice to promote their solidarity, to strengthen their collaboration and to defend their sovereignty, their territorial integrity and their independence.¹

In order to continue to forego unilateral action in Latin America, the United States must be able to rely on the OAS to maintain some semblance of law and order in the hemisphere.

The principles of the OAS are unassailable, but differing interpretations of the Charter, the Rio Treaty, and the degree of the threat of communism have left the Organization little ability to act against Communist regimes. The Alliance strengthens the OAS by injecting new enthusiasm into the organization, increasing its size and capabilities, and providing an opportunity for achieving some of the camaraderie that comes from winning joint victories. The Alliance also is a tool of American foreign policy which can be used to persuade or coerce the governments of the hemisphere to take certain actions or positions--whether inside or outside of the OAS. Finally, the Alliance is a form of what has been called "the strategy of the third choice," helping the transitional societies find an evolutionary path

¹Charter of the Organization of American States,
Article I.

to modernization without repressive frustration or dictatorial and revolutionary means.²

The moral, humanitarian values and long-range advantages of assisting the Latin American nations to a new level of economic growth and social justice are factors to consider. However, the immediate and long-term interests of the United States must take priority. President Kennedy said:

We have seen very recently . . . how difficult it is to eject a Communist regime once it gets its police power and controls the country. The best way, the cheapest way, the safest way, the most reliable way, is to help them help themselves maintain their freedom.³

CIAP member Walt Rostow recently said that "among a very wide range of leadership in Latin American life there is an active commitment to go forward rather than to dig in on the basis of the status quo."⁴ This acceptance of the need for change by the leadership is one of the first and most important prerequisites for the success of the Alliance. The appointment of Rostow to the CIAP tends to indicate that the

²United States Congress, Senate, "Economic, Social and Political Change in the Underdeveloped Countries and its Implications for United States Policy," United States Foreign Policy, Sen. Doc. No. 24, 87th Cong., 1st Sess. (Washington: Government Printing Office, 1961), p. 1173.

³John F. Kennedy, "Television Remarks," Department of State Bulletin, XLVII (October 8, 1962), p. 525.

⁴Quoted by Tad Szulc, The New York Times, March 15, 1964.

Johnson administration is interested in making the Alliance a success.

The fear of aggression from outside the hemisphere has always been the most powerful binding force in the Americas. Now that this fear is not strong enough to be the controlling factor, the other principles which have historically been a part of an inter-American consensus must be made into the binding force. President Kennedy recognized this fact. The Alliance for Progress is a means to that end. It is not a mere attempt to purchase inter-American solidarity, but a method through which the Americas can be reunited in support of those moral and juridical principles which are embodied in the Charter of the Organization of American States.

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