

Forty Years of U.S.-Latin American Technical
and Economic Cooperation

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On January 20, 1949, President Truman announced to the world his bold, new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. Analysts and commentators immediately argued that Point 4 was neither "bold" nor "new" because missionaries, private businesses and individual government agencies had been providing technical assistance in Latin America for decades.

As early as 1938, the Congress had authorized U.S. government departments to detail employees for temporary duty with governments of other American countries. In 1940 the Interdepartmental Committee on Scientific and Cultural Cooperation was organized to coordinate the sending of experts overseas.

In this period the Department of Agriculture helped establish a first-rate agricultural research and experiment station in Tingo Maria, Peru from which was developed a disease resistant rubber tree, crucial to the war effort.

In order to protect against communicable diseases of Latin America, the U.S. Public Health Service had for years been working with officials of Latin American governments. The Bureau of Public Roads, the Census Bureau, the Civil Aeronautics Administration, the Bureau of Mines and many others also had been sending experts on technical assistance missions and bringing foreign technicians to the U.S. for training.

But most observers would point to 1942 as the real starting point for a significant U.S. assistance program in Latin America, -- a program which, this year, marks its fortieth anniversary. The Foreign Ministers of the American Republics, meeting in Rio de Janeiro in January, 1942, agreed that low health standards and food shortages were a threat to ^{the} security of the hemisphere and resolved to undertake cooperative measures to overcome these deficiencies. To that end, the Institute of Inter-American Affairs was organized as a subsidiary of the Office of the Coordinator of Inter-American Affairs. Nelson Rockefeller, the Coordinator, became the Institute's first Board chairman.

Rockefeller and his associates drew on the experience of the Rockefeller Foundation in order to create an effective method of intergovernmental cooperation. Some 25 servicios, in 18 Latin American countries, at first in the areas of health and agriculture, followed by some in education and industry, were organized in pertinent Latin American ministries. They were administered by U.S. and Latin American co-directors who prepared plans of action and budgets to be jointly approved and appropriated. The theory was that U.S. contributions to servicios would decrease while those of Latin American governments would gradually increase until such time as the servicio was terminated and the Latin American government would continue on its own. The contribution record of Latin American governments was better than expected. In the first years the U.S. contributed five times as much as the Latin American governments. In 1947 they surpassed the U.S. outlay and by

1950 they had tripled the U.S. contribution and had taken over full responsibility for many projects.

The servicio had many advantages. Its personnel survived frequent cabinet shifts. They became career technicians, relatively free from partisan politics. The technical changes they brought about through government services and demonstration were looked upon as indigenous. Information programs were carried out by Latin Americans often trained in U.S. information techniques.

All servicios were not equally successful, but all-in-all the system galvanized the energies of educated Latin Americans to work for the economic and social development of their countries. In September, 1949, the Congress extended the Institute's charter for five years and appropriated \$18 million. In October 1951 it ceased being a separate technical agency and became the regional arm of the Technical Cooperation Administration. It was responsible not only for the operation of servicio programs but also for coordinating technical assistance and training activities of the Department of Agriculture and other agencies working in Latin America. Directors of technical cooperation were appointed in each country where there was a substantial program. In addition to executing approved programs, they were assigned to work with their ambassadors to coordinate, plan and integrate various U.S. operations into a balanced program, designed to fit the country's most urgent needs. Nevertheless, servicios continued to be the major vehicles for providing and administering technical assistance. Some lasted until the 1970s. Some were easily absorbed into the fabric of the government. This was particularly true of

the health servicio of Brazil, and the agricultural servicios of Costa Rica and Peru. In some places, where servicio employees enjoyed salaries higher than ministry employees, complete absorption became a problem, and even when the servicio was entirely financed by the Latin American government, the bureaucratic maneuver and the psychological effect of dropping the U.S. from the title of the organization, caused difficulties. This was true particularly in Paraguay where the agricultural servicio lasted until the Paraguayan director became Minister of Agriculture and was able to transfer the servicio employees into the Ministry.

The Costa Rican agricultural servicio, established in 1948, had within five years set up thirty extension offices throughout the country. All of the extension agents were Costa Rican. They provided advice to farmers, established demonstration farms and carried out a farm credit system. In Peru the agricultural servicio provided the same basic services plus a system for the promotion and sale of fertilizer and pesticides until demand was sufficient to attract private distributors. The equivalent of 4-H clubs were established and grew with enthusiasm. The net result in Costa Rica was that the country changed from a food importer to an exporter. Within about four years, the servicio was taken over and run by the Ministry of Agriculture.

In the field of health, successes were scored in Bolivia, Chile, Ecuador and Haiti, but probably the most outstanding development took place in Brazil. The servicio's first undertaking was to protect the health of laborers in work camps along the Vitoria-Minas Railroad in the Rio Doce valley. The railroad was essential

for the transport of iron ore and other strategic materials to the coast. Health conditions were appalling. Close to 90% of the people examined were infested with worms. Leprosy, schistosomiasis, dysentery, tuberculosis, tropical ulcer, yaws and malnutrition were rampant and the incidence of malaria was over 50%.

Starting with the camps and then carrying on in towns and villages, the servicio in 1942 launched a broad scale offensive to provide safe water supplies, sewage disposal facilities and health centers staffed with public health doctors, nurses, sanitary engineers and inspectors. After the war the program expanded to include the construction of two hospitals. This servicio undertook a similar program in the Amazon region. In ten years death rates dropped by as much as 50%.

Servicio personnel from the beginning was mostly Brazilian. U.S. supervision and financial contributions steadily lessened. Over 2800 Brazilian doctors, nurses, engineers and other health workers received training in Brazil and 250 were trained in the U.S. In 1953 the Amazon operation was exclusively Brazilian and there were only 20 North Americans in the whole servicio compared to 1500 Brazilians. Under the initial agreement the U.S. contributed \$5 million to Brazil's \$450,000. By 1952 Brazil put in \$5 million and the U.S. \$300,000. Soon Brazil financed and managed the entire program but continued calling it a joint effort and insisted on the participation, if only now and then, of American personnel in key positions. The reason was that Brazilians felt that as long as the Servicio kept an essence of jointness, it could be kept free from political interference. Realistic as this

view was, Brazil one day had to incorporate the Servicio wholly into its administration. It finally did it and health services have been maintained and improved.

Compared to the other regions, Latin American programs in the '50s fared better because they had a head start. Furthermore, Latin America was not enmeshed in the long, bitter debate over the relationship of TCA to the Mutual Security Act of 1951 and ECA, the operational arm of the Marshall Plan. It took over three years, until October 1951, for the first TCA Administrator, Henry G. Bennett, and Nelson Rockefeller to convince the Congress that Point 4 should be kept separate as a relatively small, long-range program devoted primarily to the task of communicating knowledge.

In 1953 TCA was transferred out of the State Department to the Foreign Operations Administration. Director Harold Stassen chose to centralize operations and to organize them mainly along regional rather than functional lines.

In 1952 the following six policy directives were handed to people going to work in Latin America.

1. First things first. The basic problems of underdeveloped areas are hunger, disease and ignorance. Point 4 must concentrate on them first.
2. Teach and show. Point 4 is basically an educational program involving teaching, training, demonstrating. It must not be a "big giveaway" program.
3. A grass roots program. To be successful Point 4 must get to the people, and start where they are, helping them to do the things they want to do, one step at a time.
4. Cooperation is essential. Point 4 is not charity, and cannot be just a U.S. program. It must be a joint enterprise, in which the host government takes pride. For this reason it is best to operate through a joint fund or

else a "servicio" (i.e. cooperative service) arrangement.

5. Act only on request. Point 4 never gives any assistance unless requested to do so. It is our aim to do what the host government wants to do, not what we want. The host government's requests should be formalized in a program agreement, signed by the Foreign Minister, and project agreements by the Ministers of Agriculture, Health, etc.
6. Cooperation with United Nations. Competition with UN technical assistance activities is to be avoided, as well as duplication. There should be a complete exchange of information, and thorough cooperation.

Under TCA, and after 1953 under F.O.A., technical assistance moved into fields other than the traditional areas of health, education and agriculture. Advisors in public administration were requested by several Latin American governments to analyze organization and procedures and make suggestions for their improvement. The Costa Rican government asked for a study of the garbage collection and disposal system which had spectacular results and led to requests on how to establish a civil service system. Overall government studies along the lines of the Hoover Commission in the U.S. were requested by Chile, Uruguay and Panama and similar studies applicable to particular parts of government were sought by Brazil, Colombia and Mexico. Paraguay asked for assistance in establishing a new budget and fiscal system.

The role of the private sector has always been important in Latin American Assistance programs. Indigenous church activities and participation of churches from the outside were encouraged by U.S. programs. The Catholic Rural Life Conference led by Monsignor Ligutti of Colombia contained a mix of many sects. Non-religious foundations and associations as well as firms have

participated more in Latin America than elsewhere, but never as much as desired.

By the end of 1951 direct U.S. investment in Latin America had passed \$5.5 billion. Net capital outflow (excluding reinvested earnings) to non-petroleum industries went up from \$70 million in 1949 to \$235 million in 1951, 75% of which was in manufacturing, distribution and agriculture. These are small figures even for those days when compared to capital needs of the area. Nevertheless, they compare favorably with the U.S. Government outlay of about \$20 million per year during the Point 4 period 1949-1953.

Nonetheless, to Latin American leaders this was considered to be crumbs compared to the \$27 billion the U.S. provided for the rehabilitation of war-torn Europe under the Marshall Plan. Until the creation of the Alliance for Progress in 1961, U.S. public economic cooperation with Latin America was limited to financing exports of U.S. equipment, long-term sales of agricultural commodities and the technical assistance program already described. Funds for development were obtained from the IBRD and balance of payments assistance was available from the IMF.

Latin American leaders in the early '50s became impatient and angry. A rising tide of criticism of the inequalities and degradation of life in Latin America increased in tempo and volume. The smoldering problem of the lack of social justice burst into public consciousness. The U.S. was identified with it and to a considerable extent blamed for it. Even before Castro's overthrow of Batista's government in Cuba in 1959, the U.S. had increased

its technical assistance programs and expanded its scope beyond the traditional sectors to include such areas as low-cost housing, road construction and business management. Loans became part of the assistance package. The capital of public lending institutions such as the Export-Import Bank and the Commodity Credit Corporation was greatly increased. The U.S. discarded its historic opposition and began to support the development of common markets in the belief that wider market potentials would speed economic development and increase the creditworthiness of the participating countries. Contrary to tradition, the U.S. initiated commodity studies culminating in a coffee price stability plan and it helped find methods of alleviating the very critical problem of fluctuating prices of such fundamental Latin American exports as cotton, lead and zinc.

These increases in U.S. public assistance brought with it additional quantities of foreign private investment. Nevertheless, Latin American discontent grew more strident. U.S. private and public capital, it was argued, strengthened oppressive systems and perpetuated the injustices the people of Latin America had grown to detest. This caused a dilemma, for the more the U.S. provided, greater grew the dislike, and if the U.S. insisted on conditioning assistance to changes in tax, land, labor and other laws to achieve social justice, the charge of intervening in internal affairs would be levelled.

Actions to overcome this problem began in mid-1960 when the Eisenhower administration set aside its opposition to the creation of an inter-American development bank. It contributed \$350 mil-

million in initial capital and \$525 million for the Social Progress Trust Fund for soft loans and technical assistance in the fields of land settlement and improved land use, housing for low-income groups, community water supply and sanitation facilities and advanced educational training related to economic development.

President Eisenhower held a news conference in July 1960 in which he established the U.S. position to be taken at meetings of economic ministers of the countries of the hemisphere. He outlined the need for "widespread social progress and economic growth benefitting all the people" and he listed three specific needs to be met through cooperative action: (1) "to mobilize resources, put them to more effective use and improve legal and institutional means for promoting economic growth; (2) to improve the opportunities of the bulk of the population to share in and contribute to an expanding national product; and (3) to accelerate the trend toward greater respect for human rights and democratic government based on the will of the people...."

The Act of Bogota, promulgated in September 1960, under the heading Inter-American Program for Social Development, recommended: "measures to improve rural living and land use, better laws on land tenure, improved agricultural facilities, review of tax systems and fiscal policies, land reclamation and resettlement projects, construction of farm-to-market roads, improved housing and community facilities, expansion of homebuilding industries."

The distinctive feature of the Act of Bogota was that social improvement was given at least equal billing with economic improvement. All-in-all, the Act of Bogota was principally a list

of intentions which were incorporated and broadened into the Alliance for Progress by the Kennedy administration.

President Kennedy was the first U.S. president to candidly state that U.S. aid would be of limited value unless the Latin American nations themselves vigorously fostered programs of social reform and used external funds in support of such programs. In August 1961 ministerial representations of the American Republics met at Punta del Este, Uruguay to formulate the objectives of the Alliance. They set the following goals:

1. Insure that no country will have an economic growth rate of less than 2.5%.
2. Increase income and living standards of the needy while at the same time a higher proportion of the national product is devoted to investment.
3. Achieve economic diversification.
4. Raise greatly the level of agricultural productivity; reform tax laws, demanding more from those who have most; redistribute national income.
5. Encourage agrarian reform.
6. Eliminate adult illiteracy and ensure that by 1970 every child in Latin America will have access to six years of primary education.
7. Increase life expectancy ^{at} ~~of~~ birth by a minimum of five years.
8. Increase the construction of low-cost houses for low income families and provide necessary public services to both urban and rural centers of population.
9. Maintain stable price levels. avoiding inflation or deflation.
10. Strengthen existing agreements on economic integration.
11. Prevent harmful effects of excessive fluctuations in foreign exchange earnings derived from the export of primary products.

The American nations pledged that they would devote at least \$100 billion in ten years toward achieving those goals. The U.S. indicated that 20% of this sum could be expected to come from external sources, principally in public funds.

Although such prominent Latin Americans as José Figueres of Costa Rica, Rómulo Betancourt of Venezuela and Alberto Lleras Camargo of Colombia proclaimed the Alliance to be the crusade of the decade, the U.S. seized the lead. Despite shortcomings derived from excessive idealism and over optimism, the programs of the Alliance grew, prospered and developed. Latin American and U.S. technicians and politicians alike learned many lessons from the undertaking. Economic planning was given a whirl, but the planning process was seldom allowed to have the necessary degree of continuity to produce a plan and put ^{it} into effect.

One of the instruments devised to lift from the U.S. the burden of urging and exhorting the Latin American governments to improve their performance under the Alliance was the Inter-American Committee on the Alliance for Progress (CIAP). A 1966 amendment to the Foreign Assistance Act directed that AID loans from alliance funds must be consistent with CIAP views as determined by its annual country-by-country review of development programs and progress. Undersecretary of State Averill Harriman, nearly four years after the Alliance had been launched, had to explain that "-- if the Alliance was to fulfill its high expectations, primary responsibility had to be assumed by the governments and people of Latin America ... Only they have the resources, the knowledge and

the capability of promoting economic growth within the social and political framework they desire."

Reform was the watchword of AID programs during the Alliance in almost all sectors in which they operated. Senator Humphrey realized and predicted that the American Public, and especially the business community, needed to be conditioned to accept and tolerate some of the excesses due to accompany the changes stimulated by the Alliance. One of the first reports on the Alliance prepared by Senators Wayne Morse and Bourke Hickenlooper praised the U.S. and the Alliance for dissociating itself from the extreme conservatives of the Latin American oligarchies. "This element is out of sympathy with every current U.S. policy except anti-Castroism. Its days as a political influence in Latin America are numbered. It will either be overthrown by a Castro-type revolution, or be pushed aside by the kind of peaceful revolution envisaged by the Alianza para el Progreso." It was not long, however, before Senator Hickenlooper did some rethinking and succeeded in passing his amendment to the Foreign Assistance Act prohibiting aid to governments that expropriated American property without arranging for prompt and effective compensation to the owners.

The role of private capital was acknowledged to be as important as public investment by the creators of the Alliance, but it may not have been given the emphasis it deserved. Insistence on government planning did not stimulate private enterprise, either domestic or foreign. This failure tended to widen the gap between the developed and developing countries. Alliance supporters in the U.S., notably Lincoln Gordon, and many in Latin America sought

to slow down the widening process, but realized they could do very little without new foreign private capital and techniques that were principally in foreign private hands.

Not surprisingly, perhaps, the Alliance never accomplished all of the ambitious goals so precisely expressed in the Charter. AID could point with pride to impressive statistics about food provided, health improved, education advanced, credit furnished and credit institutions created. In every Latin American country where aid had been provided there were tangible permanent results: forestry and mining schools in Chile, a public health service in Brazil, agricultural and extension services in Costa Rica and Paraguay, primary and vocational schools in Bolivia and Guatemala. Yet, obstacles to sustained growth persisted then as they do today. Despite increases in food production, housing and school construction, population increases outstripped advances. Unemployment remained and still is a crushing problem. Inflation sapped the incentive to save. Budget deficits continued. Poorly operated public enterprises contributed to government imbalance. Monopolistic practices and regressive tax structures restricted the development of national markets.

The Alliance did, however, have a broadening and deep effect as it accomplished something more than micro change. It made development the number one agenda item of every country in the hemisphere. The concept wasn't new, but the influence of the Americans and Latin Americans who worked in the Alliance gave an emphasis to the development process that caught on and has

persisted among Latin American leaders. This was an important change in the thinking and planning process.

In the wake of certain disillusionment over the results of the Alliance for Progress, experts tried to analyze what went wrong. Some observers concluded that the fruits of development failed to penetrate into the social structure of developing Latin American countries.

Capital accumulation responded to demands for consumption, mainly among high income groups, while the low income groups benefitted little from such growth. It was this concern, expressed in varying ways by Latin Americans and Americans, that led the U.S. to focus its assistance efforts on fulfilling basic human needs and thus to pinpoint its activities at helping the poor. Congress put it into the law that U.S. assistance should concentrate on the eradication of poverty. It considered that improvement in the economic conditions of the poor would advance and strengthen democracy.

In 1975, The Commission on U.S.-Latin American Relations issued its study, known as the Linowitz report. It recommended a move from paternalism to fraternalism in hemisphere relations. It considered it beyond the capacity or the will of the U.S. to dictate what kinds of nations Latin Americans should build for themselves. Each country should be allowed and helped, if requested, to find their own path and solve their own problems of nation-building. The Commission believed that a commonality of interest existed between U.S. and Latin America in sharing experience in solving problems. To work together on such problems could only

serve to strengthen the ties between the peoples of the hemisphere.

Neither the affects of this declaration nor concentration on basic human needs were sufficient, given world conditions, to bring about the hoped for results. Aid programs provided more assistance to the poor. Institutions were built in Latin America to manage and operate such efforts. Latin American governments cooperated wholeheartedly, but the domestic ground-swell was insufficient to set in motion the basic developmental changes needed to increase productivity among the lower income groups. Exceptionally difficult times set in. The rise in the price of oil, inflation, growing deficits in the balance of trade and an increased debt burden, combined to ~~overpower~~ and worsen the economic condition of Latin America despite the efforts of U.S. and other programs to support the Latin American struggle to develop.

New emphasis was placed on macro economic development along with the pursuit of fulfilling basic human needs. The financial and technical support of private enterprise was again sought as an additional way to stimulate development. Long recognized as an essential element, it has ^{now} been recognized as a sine qua non for progress.

The present day situation is bleak as balance of payments deficits and deterioration in the terms of trade have continued to worsen economic conditions. This has led to political instability, especially in Central America, which along with violence and military operations, have brought further economic deterioration. These difficulties, and economic recession in the U.S., have made it

necessary to seek a new approach to cooperation with Latin America. The Caribbean Basin initiative is a new program that combines government assistance with the participation of the private sector for the purpose of stimulating an indigenous and lasting development process. It includes support for projects and alleviation of balance of payments stringencies.

It is evident to U.S. and Latin American economic development experts that a transformation in the Latin American development process is needed to stem the tide of deterioration and begin a growth cycle that will benefit the whole society. Raul Prebisch has said it often: Latin America must allocate greater proportions of its surplus to capital accumulation at the expense of consumption. This change would accelerate the rate of absorption of the poor into the labor force. By adjusting the direction of capital accumulation, income disparities could be progressively corrected and the market would become an efficient social instrument as well as an economic instrument. Foreign investment and private enterprise continue to be needed and sought by Latin America not as substitutes for her own efforts at capital accumulation but to support it and help direct its objectives. This is where the new initiative comes in. Joint determination and effort by the people and governments of the two hemispheres will advance the quest for an equitable development process which began some forty years ago.