

THE ECONOMIES OF THE WESTERN HEMISPHERE

23 March 1955

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

THE ECONOMIES OF THE WESTERN HEMISPHERE

23 March 1955

COLONEL WALSH: General Niblo, ladies and gentlemen of the Industrial College. This morning we continue our course on economic potential with a lecture on the Western Hemisphere.

When we of the faculty were planning this course last fall, we debated whether or not we should have a lecture about the Western Hemisphere as a part of the course. A reason why we would not is the fact that the class spends a great deal of its time studying the United States and its industrial mobilization, and the United States is the major nation in the Western Hemisphere. I was one of an articulate minority who felt that the Western Hemisphere is so important in the currently bipolarized world that we should have a lecture covering it. I take it that you have all heard the story of the officer who complained about the mess--I wanted such a lecture and here I am, giving it to you!

In my remarks, I shall try to cover the following major points which are shown on this card, and which will generally cover the factors mentioned in the "Guide for Section Studies" which has been issued to you.

1. Some general remarks about the Hemisphere. Then the economic geography, the nature of the economies, and social conditions in:
2. Canada.
3. Latin America.
4. The interrelationship of the economies of the Western Hemisphere.
5. A few conclusions based on the study I have given to this subject.

I should like to start off by showing you a chart.

Chart 1, page 3. --I have extracted from a current 1955 World Almanac the comparative size of the continents of the world and the comparative populations. The Almanac does have a two or three year delay in its statistics. In the balance of my talk I will refer to population figures in the Western Hemisphere that are more recent than these. I have not changed the statistics, so as not to destroy the comparability which is presumed to exist therein.

On the chart you see a population figure of 111 million for South America. I will talk, however, about Latin America as a whole, and I will refer to a population of 170-odd million which will embrace Central America and Mexico, a part of North America, as well as South America. I wanted to call your attention to that in case somebody notes an apparent discrepancy in the figures.

Note that in the Western Hemisphere we have about 15 million square miles, or 30 percent of the world's continental area, exclusive of the Arctic and the Antarctic. In that 30 percent of the world's area we have about 330 million people, or 14 percent of the 2,400 million total world population.

An analysis of these figures would indicate to you that in the Western Hemisphere we have a population density of about 22 people per square mile, whereas in the world as a whole, population density is about 50 people per square mile. In Eurasia, which is the other dominant part of the world, the population density is approximately 90 people per square mile. These comparative figures indicate that the Western Hemisphere is somewhat underpopulated as contrasted with the balance of the world.

The inference that the Western Hemisphere could support a much larger population than it does at present is borne out, I think, by the rate at which the world's population is increasing. In the world as a whole population is increasing at an annual rate of about one percent per year. In the United States the population is going up at a rate of 1.7 percent a year. In Canada and Latin America it is growing at the fastest rate anywhere, a rate of 2.5 percent a year. So I do believe that the Western Hemisphere could maintain a much larger population than it does at present.

It is pertinent here to remark that the political and economic power of the world is and has been concentrated in the North temperate

<u>CONTINENTAL AREA</u> 1,000,000 SQUARE MILES		<u>POPULATION</u> 1,000,000's	
NORTH AMERICA	8.3	216.3	
SOUTH AMERICA	6.8	111.4	
<u>WESTERN HEMISPHERE</u>		327.7	
EUROPE	3.7	588.4 (incl US)	
ASIA	17.0	1,272.0	
AFRICA	11.5	198.0	
OCEANIA	4.0	12.9	
<u>EASTERN HEMISPHERE</u>		2,071.3	
WORLD	51.3	2,399.0	

SIZE AND POPULATION OF CONTINENTS

CHART 1

latitudes. The North American and Eurasian land masses dominate the pages of history. Of the two, as we can see from the chart, Eurasia is 2.5 times as large and has 9 times the population of North America. They both lie in the temperate zone, and thus are favored by location and climate. On the other hand, the land masses of the southern half of the earth are for the most part in the tropics, and are handicapped by the deleterious effects of a torrid climate. Expert opinion is to the effect that world power will continue to reside in the North temperate zone.

Map of North America Displayed

The United States has a uniquely favorable location. It is of continental size, and is blessed with resources. Favorably situated in the North temperate latitudes, it has access to and protection afforded by two oceans. It is located between the other two major world clusters of dense population in Western Europe and the Far East; and thus occupies a central economic position. It is flanked north and south by two friendly but lesser powers, Canada and Mexico. United States economic strength is indicated by the fact that its economy, with some 6 percent of the world's population, uses 50 percent of the world's minerals and 60 percent of the world's POL to produce 40 percent of the world's goods and services. But, I am reminding you of facts with which you are familiar. Let us turn to a consideration of our neighbors north and south, in an effort to appreciate the economic potential of the balance of the hemisphere. Let's turn our attention to Canada.

I am going to start with the fact that Canada is a very large country. It is interesting to note that the two largest countries of our bipolarized world are our adversaries, Russia and China, and in that order; and that the next three largest countries of the world are in the Western Hemisphere, the third largest being Canada, the next being Brazil, and the fifth being the United States.

A major fact about Canada is the cold climate. In Canada there is a population of 15.5 million people. Something approaching 90 percent of them live within 200 miles of the United States border. Vast stretches of the country to the north of that strip are very sparsely inhabited and quite undeveloped economically.

There are five major economic regions to discuss them with you briefly. Let's consist west.

Here in the east are the Maritime Provinces. The Scotia, New Brunswick, and Prince Edward Island, which used to be a separate dominion, joined Canada shortly after World War II. I shall include the island of Newfoundland with the Maritimes.

Geographically, this area is an extension of the Appalachian Mountains, hilly and rocky, with a severe climate. It is not highly blessed with natural resources similar to New England. However, there is an important fishing industry. The Grand Banks of Newfoundland are among the major fishing areas of the world. They teem with fish. Inland a major industry is pulp and paper manufacturing. There is some agriculture; they raise potatoes, as we do in Maine, up in Prince Edward Island. They dig coal in Nova Scotia, but the coal is not in rich seams as in the United States. Like the coal mines of England, the seams go down out under the ocean. There is iron ore in Newfoundland.

Further to the west, the rolling farmland of Ohio, Pennsylvania, and New York are extended into Canada. I have talked about how This is the economic heart of Canada. Well, in this area 80 percent sparsely settled Canada as a whole is. There is the richest agricultural land of Canadian industry and commerce are centered, and 60 percent of the people live here. In addition, this is the richest agricultural land in Canada.

At this point, I ought to say a brief word about the St. Lawrence Seaway. I am sure you are all familiar with the fact that the United States and Canada are cooperating in the development of the St. Lawrence River, to allow ocean-going vessels of 27 foot draft to traverse this great natural waterway into the Great Lakes and the industrial heart of the continent. But I must remind you of Canada's northern location. The St. Lawrence and the Great Lakes freeze up in the winter; and the seaway is not, and will not be usable for 3 to 4 months each year.

Next I would like to discuss some geological facts. Two-thirds of this tremendous area of Canada is covered by what is called the Laurentian Shield, which is a vast outcropping of ancient granite, with many glacial lakes and rivers. Its northern portion is frozen solid for most of the year. It stretches over Canada in an arc about Hudson Bay, from Labrador through parts of Quebec, Ontario, Manitoba, and the Northern part of Saskatchewan, and up through the Northwest territories to the Arctic. It covers more than 60 percent of Canada, over 2,000,000 square miles. As it extends southward near the Great Lakes, it tends to act as a barrier, making north-south movement easier than east-west. In the past quarter century, it has been found to contain rich deposits of minerals, including the iron ore deposits of Labrador. It also has valuable timber stands, and extensive hydro-electric potential. The inhospitable soil and climate of the Shield severely limit the population and the possibility of future settlement of the region.

West of the Great Lakes and the Laurentian Shield, there is a Canadian extension of our great plains area, stretching from the United States border north through Alberta and Saskatchewan, and then through the Northwest territories, to the Arctic Ocean. This north-south belt is as much as 1,000 miles in width; and in its southern part is the great wheat and cattle region of Canada.

Here in this grain belt, Canadian oil has boomed since World War II. With this development and similar development in the Williston Basin, some geologists consider that oil producing formations are apt to occur in the plains area almost anywhere from the Gulf of Mexico to the Arctic Ocean. As a matter of interest, Canadian oil use has increased since World War II from about 250,000 to 550,000 barrels a day. Canadian oil supplies almost 50 percent of their home market, versus a negligible percentage in World War II. The reason Canadian oil does not supply more of its own requirements lies not in any lack of supply, but in distribution economics and inadequate distribution facilities. Pipelines have been constructed to Sarnia in Ontario and to the West Coast, and further expansion is probable.

The Rocky Mountain-Pacific Coast region, comprises an extension of our own similar Northwest-Pacific region. The climate on the Pacific Coast is moderated by the Japanese current. The climate is similar to that of the British Isles or to that of our states of Oregon

and Washington. Rainfall is heavy, up to 100 inches a year; and vegetation is luxuriant. Fishing, fruit and vegetable farming are important on the coast and in valleys near the coast. Sixty percent of the income of British Columbia is derived from forestry, which is the major economic activity.

There is an extensive hydroelectric potential in British Columbia, although it is not quite as great as the potential of Quebec Province in the east. The most publicized development is the \$500 million Kitimat project of the Aluminum Company of Canada, where a 10-mile tunnel has been driven through a mountain range to divert water flow for cheap electric power. At this site, bauxite is processed through the world's largest aluminum smelter!

We have seen that the economic regions of Canada tend to be north-south extensions of similar United States economic regions. The mountain barriers, distance, and the Laurentian Shield tend to inhibit east-west communication, and thus also foster a natural north-south movement of trade across the border. Canadian railroad development was consciously motivated by the need of the Canadian national economy to provide some means of east-west communication in order to attempt to unify Canada economically.

Canadian transportation facilities are incompletely developed, compared to those of the United States. This is due to the vast size and the difficult climate of the country. For the size of its population--rail, pipeline, road, and air transportation are well advanced in the southern part of Canada. But it should be remembered that land transport is incompletely developed by United States standards.

Now let's turn our attention for a moment to the Canadian people. It has been mentioned that there are about 15.5 million Canadians and that most of them live within 200 miles of the United States border. In the past dozen years the population has been growing rapidly, and it is now more than 25 percent larger than it was early in World War II. Population growth has been stimulated by governmental policy, both in the encouragement of immigration and by social legislation, since people are a resource which continues to be badly needed in Canada. I believe you will be interested to learn that under Canada's Family Allowances Plan (enacted in 1944) the government pays parents from 6 to 8 dollars per month for each child. New citizens from immigration are encouraged by the Assisted Passage

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Loan Scheme of 1951 whereby Canada will advance cost of passage to European immigrants. Canadian law does require that new Canadian citizens must be able to speak either English or French.

It should be noted that there are three main ethnic groups in the population. Something less than 50 percent of the people are of British stock, spread throughout the country, but especially concentrated in Ontario--as has been the case since the time of the American Revolution.

The major racial minority is the French-speaking population of Quebec, which comprises 30 percent plus, of the nation, and is increasing rapidly. This group has retained its distinct customs and language from colonial times. Canada has two official languages, English and French. The laws are printed in two languages, the money is printed in two languages. In Quebec Province part of the government funds go to support the Roman Catholic Church, in the French tradition. In Quebec, there are two school systems--one French-speaking and Catholic, another English-speaking and Protestant, both supported by government funds. That same pattern exists in some of the other provinces of Canada. In Canada the central government leaves such matters to the provinces, as we in the United States leave education to the states.

With regard to the fact that Canada is a bilingual country and that there are two distinct and diverse cultures side by side, some Canadians think that this diversity adds to the cultural richness of Canada. But from a neutral point of view, this lack of homogeneity tends to be an economic and political weakness.

The third segment of the population is the immigrant element--new citizens--mostly from Europe--Germans, Scandinavians and Slavs--some 20 percent of the population. Many came in the first part of this century, to settle Canada's plains, and a second wave has come to Canada since World War II, under the favorable government attitude toward immigration. As an indication of the melting pot atmosphere of the Canadian western plains, note that there are some 20-odd foreign language newspapers published in Winnipeg, Manitoba. Canada, as a whole, publishes newspapers in 40 languages.

The Canadian worker has a productivity somewhat less than that of his United States counterpart, and the percentage of skilled workers

in the population is also somewhat less. Again, one could think of Canada as a younger brother of the United States economy. Both are dynamic, expanding populations with a progressive enthusiastic attitude toward the future.

So much for Canada. Let's turn our attention now to Latin America.

Map of Latin America Displayed

By Latin America we mean the area which extends all the way from the Mexican border to the southern tip of Chile. Despite a similar Latin background, the 20 countries concerned are at different stages of economic development and of diverse social characteristics. It is difficult to generalize about them, since a country like Argentina in the south is very different from a country like Bolivia or from Mexico. For instance, Argentina is more Caucasian than the United States is; there are fewer Negroes and fewer Indians. Argentina doesn't conform to our common impressions of Latin America.

This area of 8.5 million square miles, three times the size of the United States, has five major geographical features, one of which is the Carribean area, with its island and isthmus nations. Four physical features dominate South America: (1) the mountains, (2) a series of huge river systems, (3) vast tropical jungle lowlands, (4) the fertile Argentine Pampa.

The Andes are the highest mountains in the Western Hemisphere; they average over 10 thousand feet, and rise to heights of over 20 thousand feet.

The Amazon is the greatest river in the world as far as water flow is concerned. It extends all the way across the continent of South America, its headwaters reaching within 200 miles of the Pacific. It drains an area--about five-sixths the size of the United States. The Amazon is navigable for ocean-going vessels as far as Manaos, more than 1,000 miles inland, in the heart of the continent. The jungles which the Amazon drains are hot, tropical, and humid. The Amazon does act to some extent as a transportation artery. But there are very few people in the interior of Brazil. Ninety percent of the people in Brazil live within 200 miles of the Atlantic Ocean.

The LaPlata River system in the south--between Uruguay and Argentina--is not as large as the Amazon, but it drains a more productive area in Argentina, Paraguay, Brazil, and Uruguay. It is open to small ocean-going vessels for 700 miles up the Parana River to Ascension, the capitol of Paraguay. The Oronoco, in Venezuela, is another navigable waterway, having been dredged for 125 miles to allow ocean-going ore ships to haul iron ore from Cerro Bolivar, the iron mountain in Venezuela. There is a 90 mile rail haul from the ore workings to the river port.

It is commonly accepted fiction that Latin America is a rich storehouse of natural resources. Let's consider its agricultural resources. It has been estimated by some authorities that less than 5 percent of Latin America has the combination of climate, topography and soil conditions necessary for agricultural production. This compares with an equivalent average figure of some 24 percent of arable land in the United States and about 15 percent for Canada. About 70 percent of the people of Latin America make their living from agriculture, and for most of them it is a bare subsistence living.

Latin America does contain large reserves of unexploited forests but most of them are inaccessible tropical hardwoods. In Latin America only some 3 percent of the woods are soft woods, the woods normally used commercially for construction, packaging, manufacturing, etc. Latin America does produce extensive quantities of the following agricultural products: fibers, food stuffs, grains, hides, meat in the south from Argentina and Uruguay; cocoa, wool, and of course the major money crops, coffee, sugar, and bananas.

Wood is a major energy source in Latin America. In Brazil the trains use wood as a fuel. To conserve that resource, Brazilian railroads sponsor a reforestation project. In some parts of South America e. g., Bolivia, the forests have been denuded. Those of you who have been in Korea know how bald that country looks. There are similar areas in South America. In Latin America wood is the major fuel of 100 million people.

How does Latin America compare with the balance of the world as regards energy resources? Latin America has less than 2.5 percent of the world's energy resources to provide for a region comprising 14 percent of the world's area. Since energy resources are a

controlling factor in economic potential development, experts consider that, even if fully developed South America would remain among the poorest of the continents of the world.

Let us investigate coal on which most major economic powers have based their development. Less than one percent of the world's estimated reserves of coal are in Latin America. Such coal as is available tends to be of poor quality, scattered in small deposits and far removed from iron ore, which would maximize its usefulness.

In petroleum, Latin America is in a better position. The major oil producing nation, Venezuela, in 1954 produced about 2 million barrels a day. This petroleum is primarily an export commodity, and is not being developed for indigenous economic purposes to any great extent.

Latin America also is in a fairly favorable position in regard to hydroelectric power. Compared with about 16 percent of the world's oil and only an infinitesimal portion of its coal, Latin America has some 14 percent of the world's water power resources. However, very little of this hydroelectric potential has been improved to date, and its development is handicapped by the inaccessibility of the potential water power sites from the centers of population and industry.

The transportation facilities of any area play an important role in the development of an economy. This is especially true in Latin America, where geography and climate, as well as lack of investment capital, have served to retard the development of transportation.

The general pattern of railroads in the western part of South America is one of unconnected lines, running from producing points to the nearest coastal port or river. Near the Atlantic coast, the railnets and roadnets tend more to form an integrated system similar to those in the United States. But, occasionally, as in Argentina and Brazil, there are various gauges on different railroads, inhibiting interconnection.

May I remind you that, in the United States, we now have some 3.5 million miles of roads, but Latin America, with an area three times as large, has only about one-seventh of that total.

Because of the comparative inaccessibility of much of Latin America by land or water transport, air transportation has found

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itself in an enviable position. It has been said that many sections of the area are being transferred directly from the age of the ox cart to the air age. An important effect of air transport in Latin America has been a breaking down of the pattern of regional isolation, which is having beneficial social as well as economic consequences.

Latin American economies are still under a Spanish feudal influence, whereunder a land-owning class had been granted tremendous estates on which the work was and is done by the underprivileged many. The feudal nature of social and economic organization, and related emphasis on monoculture have inhibited economic development.

The great economic importance of the leading export commodity of various Latin American nations to their trade is shown by this chart.

Chart 2, page 13. --How heavily the external trade of these countries depends upon a single commodity is apparent. When markets for these items are depressed, there is a tremendous adverse impact on the economy of the country concerned.

This economic sensitivity is a major reason why many Latin American nations are straining to industrialize.

Some progress has been made in diversification and industrialization of the economies particularly in the ABC countries--Argentina, Brazil, and Chile.

Industrialization has been concentrated in the consumer goods field, especially food industries, textiles, and apparel. At the current stage of their development, there is a tendency for Latin American industry to be consumer-oriented, like the above 3 industries, or materials-oriented--e. g., processing of sugar cane near the fields--or labor-oriented, because of the fact that low labor costs can give a competitive production advantage e. g., textiles or construction.

A good start has been made in heavy industry. Brazil has a modern steel plant at Volta Redonda, near Rio de Janeiro, which has been in operation since 1946. Its capacity is about 1 million tons per year, however, total Latin American steel capacity is less than 2 percent of United States steel capacity. This percentage could be considered an index of the industrialization of Latin America, compared to that of the United States.

CHART 2

SELECTED CRITICAL MINERALS

<u>MINERAL</u>	<u>PERCENT OF WORLD PRODUCTION: 1952</u>			<u>PERCENT OF U.S. IMPORTS FROM WEST. HEMIS. 1952</u>
	<u>U.S.</u>	<u>CANADA</u>	<u>LAT. AMER.</u>	
ANTIMONY	4.3	2.5	34.4	63
ASBESTOS	3.4	59.2	—	97
BISMUTH	—	4.5	34.7	95
COPPER	30.7	8.5	18.9	86
LEAD	19.4	8.2	21.9	67
NICKEL	0.3	73.4	4.7	96
TIN	—	—	18.7	12
ZINC	24.0	13.2	16.0	91

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Historically much Latin American economic development has been possible only through the investment of foreign capital.

There was formerly (prewar) a great deal of European capital invested in various properties, especially public utilities, in South America. Withdrawal of European investments in World War II and the legislative programs of many of the Latin American republics have caused a great reduction in the amount of such ownership. Mexico expropriated oil concessions and other business ventures belonging to foreign capital. Brazil has discouraged foreign development of her oil resources. Argentina used her World War II holdings of sterling to buy out British interests in her railroads and other properties. Bolivia has nationalized her tin mines.

Thus, despite the need for increased investment to stimulate further economic development, many Latin American countries have failed to provide a really favorable climate for foreign investment. Rising nationalism has developed a resentment against foreign capital which has been expressed in the form of discriminatory taxes, government expropriation and monopoly, regulatory restrictions, and foreign exchange controls.

Recent estimates place the present population of South America at about 173 million, about equal to that of the United States and Canada combined. But the Latin American population is much less educated (40 percent illiterate); less healthy (30 percent sick from one cause or another); less skilled (80 percent unskilled labor); and less democratically involved in their national politics and government, than are the North American peoples.

The population of Latin America tends to be clustered. I said that practically nobody lives in the tropical interior of the South American continent. Where do the people live? In the highlands of Costa Rica and Mexico there is a population center which is tending to expand rapidly. In Colombia, around Bogota, at an elevation of 9,000 feet, there is another population center. There is a population center in Chile, in the vicinity of Santiago, which is growing rapidly. There is a population center in the LaPlata area around Buenos Aires and Montevideo. Many people live in the southern part of Brazil on a plateau, whose elevation makes for a temperate climate. And the last major population center is on the bulge of Brazil.

While world population is increasing at about 1 percent a year, the United States is growing at about 1.7 percent a year, and Canada and Latin America are increasing at 2.5 percent a year. If the current rate of population increase continues Latin American population could be about 500 million by the year 2000. Latin America would then outnumber the North American population almost 2 to 1.

Standards of living in Latin America have been rising somewhat since World War II, although increases have been modest. Per capita incomes average below \$300 per year, as compared to \$2,000 in the United States. Incomes have risen in money terms, but Latin American statistical propriety tends to be nullified by inflation which is rampant in many of the countries of South America. Whereas from 1948 to 1953 the United States cost of living has risen 11 percent, in Brazil the rise has been 62 percent, and in Chile, it has more than doubled. Food production in South America is not expanding as rapidly as the population. In the southern part of South America-- Argentina and Uruguay--people get enough to eat. Throughout most of the balance of Latin America, there is widespread malnutrition and poor health.

In the United States and Canada a Puritan-democratic tradition has encouraged initiative and hard work and has resulted in outstandingly rapid economic progress. On the other hand, the feudal Spanish tradition of Latin America has discouraged manual labor, has fostered leisure for the favored few and lower standard of living for the depressed many, with consequent lack of economic progress.

Their dictators have promised the Latin peoples an improved standard of living. An important thing for us to realize is that many Latin Americans are basically unsatisfied. As we in the United States were not satisfied to remain suppliers of food and raw materials for Europe, the Latin American peoples to our south have a similar desire to become more industrialized, more important in world society. There is social ferment in Latin America!

Now I am going to discuss the economic interrelationships in the hemisphere.

Chart 3, page 16.--First, may I remind you of the dependence of our United States on outside sources of certain critical minerals. We devoted quite a bit of attention to this subject last fall in the Natural Resources unit of our curriculum. This chart will recall to your minds

CHART 3
CANADIAN TRADE
 (\$ Millions)

	<u>EXPORTS</u>		<u>IMPORTS</u>	
	TO U.S.	TOTAL	FROM U.S.	TOTAL
1937	\$ 382	\$ 1,031	\$ 491	\$ 809
1947	1,057	2,795	1,975	2,570
1953	2,463	4,172	3,221	4,383

the importance of Canada and Latin America as sources of some of these minerals for American industrial consumption--those three columns show the percentage of world production in 1952 which was attained by the United States, by Canada, and by Latin America, for the selected strategic minerals shown. Note that the hemisphere is in a much stronger position than the United States alone. This last column emphasizes United States dependence on our hemispheric neighbors by showing the percent of United States imports originating in the Western Hemisphere in 1952.

Both Canada and Latin America have been and are basically extractive economies, although Canada's extractive economic is complimented by her industry and manufacturing. Both areas traditionally have been in the position of having to find markets abroad for their products.

Chart 4, page 18.--The Canadian economy has been expanding at a rate of about 6 percent a year since 1950. Canadian foreign trade has expanded substantially since before World War II as may be seen from the chart. Note that exports were about \$1 billion in 1937, but 10 years later they had increased to about \$2.8 billion, and in 1953 exceeded \$4 billion. The United States share of Canadian exports has increased from about 36 percent in 1937 to about 60 percent in 1953. It would be expected from these figures that Canada would desire the United States to move in the direction of freer trade policy, and such is indeed the case.

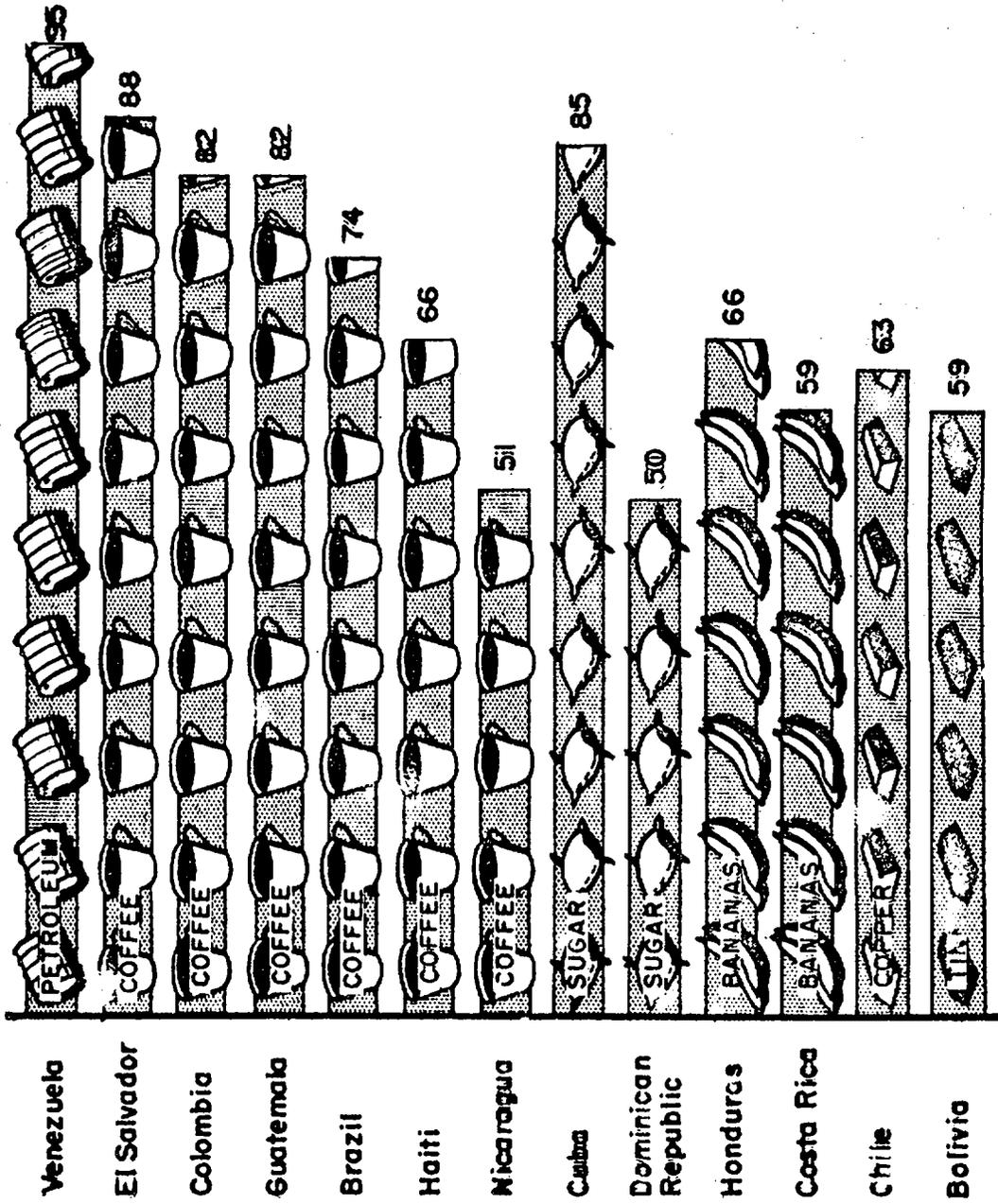
The Canadian import figures similarly reflect the expanding nature of the Canadian economy, again with a lion's share of the commercial transactions with the United States. These trade statistics again indicated the influence on the Canadian economy of its economically powerful United States neighbor, and the north-south tendency for trade across the United States-Canadian border.

Similarly the Latin American economy has been growing rapidly, about 5.6 percent per year. According to the United Nations Economic Commission for Latin America, the areas' economic activity has doubled since the 1930's. Much of this growth was occasioned by favorable terms of trade in the postwar period. The world prices of Latin American export products have gone up about three times their prewar level, while world prices of Latin American imports have only doubled. Thus a given volume of Latin exports has been buying 50 percent more goods (imports) than in 1938. In the same

CHART 4

MAIN EXPORT OF LATIN AMERICAN COUNTRIES

(Exports as Percent of Total Exports)



period the direction of Latin American trade has also been reoriented toward the United States in a fashion somewhat similar to the foreign trade of Canada. Chart 5, page 20. --This pie chart indicates that Latin American imports from the United States have increased from 37 percent of all Latin imports prewar to some 52 percent in 1952. As you can see, there has been a similar adjustment in Latin American exports. I want to point out here that not only does the United States absorb a relatively much larger portion of the foreign trade of Latin America than prewar, but also the money volume of Latin American trade has quadrupled in the same period.

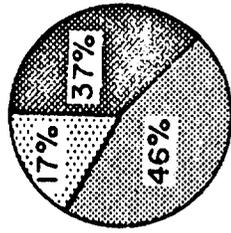
But let's see how the other Western Hemisphere economies compare in size with ours--see chart 6, page 21. As Dr. Andy Kress has told you, the United States with 150 million plus people, produced goods and services in 1953 with a market value of \$365 billion--\$1 billion for every day in the year. While the United States was doing that, Canada's 15 million people produced a GNP worth \$24 billion. The comparative productivity of Latin America is indicated by the Gross Area Product of \$40 billion, although the number of her people is about the same as that of the United States plus Canada, and the Latin American area is three times as extensive as that of the continental United States.

The extent to which other hemispheric economies depend upon foreign trade is again shown by the export and import figures. We can see that the extractive economies of Canada and of Latin America put some 17 to 20 percent of the dollar value of their GNP into exports. Their prosperity depends to a much greater degree upon trade than that of the United States where a dollar value of only some 4 percent of our GNP is exported. Their dependence upon trade with the United States is shown rather sharply by the percentage figures I have entered on the chart in slant figures. Note that Canada sent some 2.5 billion dollars worth of goods to the United States in 1954. These goods comprised 60 percent of Canada's exports, but the same goods were only some 22 percent of United States imports. Similarly for Latin America, the same \$3.4 billion worth of goods were 45 percent of their exports, but only 31 percent of our United States imports. A similar but somewhat greater disparity is apparent for the import figures, in black for Canada and Latin America, and in slanted figures for the United States.

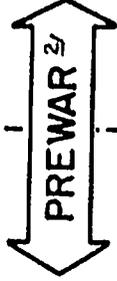
CHART 5

OVER HALF OF LATIN AMERICAN TRADE WITH U.S.

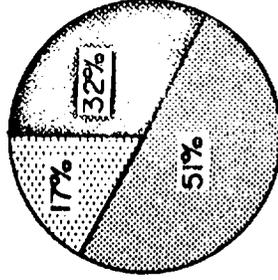
Latin American Imports



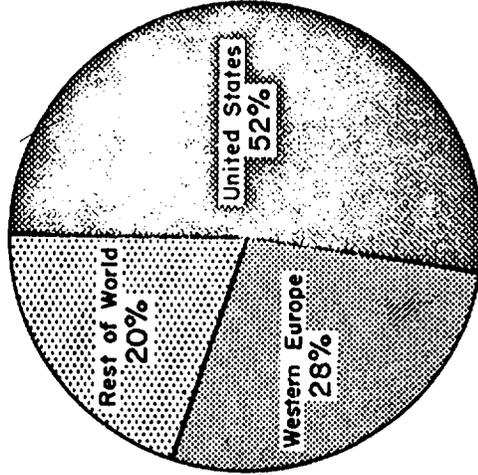
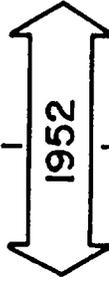
\$1.4 Billion



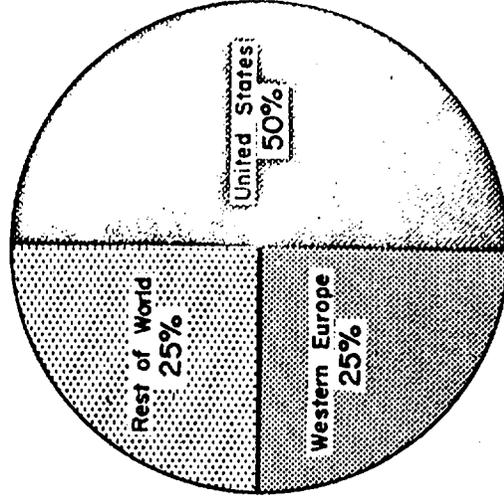
Latin American Exports



\$2.0 Billion



\$ 6.4 Billion



\$ 7.2 Billion

COMPARATIVE ECONOMIC STATISTICS - 1953
 CHART 6
 in \$ (billions)

	<u>CANADA</u>	<u>UNITED STATES</u>	<u>LATIN AMERICA</u>
GROSS NATIONAL PRODUCT	\$ 24.3	\$ 364.9	\$ 40.0*
VALUE OF EXPORTS	4.2	15.7	7.5
EXPORTS TO U.S.	2.5 (60%)	—	3.4 (43%)
% of U.S. Imports	(22%)	—	(33%)
VALUE OF IMPORTS	4.4	10.9	6.1
IMPORTS FROM U.S.	3.2 (73%)	—	3.1 (51%)
% of U.S. Exports	(21%)	—	(21%)

Source: U.S. Dept. of Commerce
 *Estimate (Source: Chase National Bank)

And now, let me conclude by painting a thumbnail sketch of the Economic Status of the Western Hemisphere, as I see it.

1. The Western Hemisphere naturally divides into two economic units of about equal geographic size and population.

a. The underdeveloped extractive economies of Latin America, in which the people are comparatively uneducated and unskilled.

b. The balanced industrial and extractive economies of the United States and Canada, with a progressive, literate, and highly skilled population.

2. The expanding United States economy, as organized for peace, requires raw materials and has a need for trade outside the Western Hemisphere. It is dependent upon Latin America for tropical fruits, coffee, and for certain critical minerals, e. g., tin, antimony, and bismuth. In war, the hemisphere could come as close to being self-sustaining as any area of the world.

3. Latin America is an economic asset to the Western Hemisphere only:

a. As a source of certain raw materials.

b. As a base for defensive military operations.

c. Because its loss to an aggressor would be a grave threat to the United States-Canadian center of economic strength.

The Latin American economy as a whole is barely subsistent and has little reserve for any emergency.

4. The economic potential for war of the Western Hemisphere depends almost exclusively on the United States-Canadian economy which is the strongest economic unit in the present-day world, and is in a position to divert a substantial portion of its economic effort to an emergency.

With this blanket coverage, gentlemen, I hope I have recalled to your minds or evoked an overall and reasonably correct impression of the economies of the Western Hemisphere.

Thank you.

Does anybody have any questions?

QUESTION: How can you be so positive about the lack of economic potential in South America when there has been no adequate mapping of the countries to determine the amount of natural resources that they have?

COLONEL WALSH: I didn't intend to be quite as positive as I think your question implies. I think the experts, from whom I got most of my information would paint a picture approximately equivalent to the one that I have given you this morning. We are comparing Latin America with other parts of the world. From present information, we know that South America has about 1 percent of the world's coal reserves. Based on current knowledge, the indications are that South America's economic strength and its resource position are about as indicated here.

QUESTION: I was up in Canada once and I got the impression that with the resources that they are devoting to opening up the country, they are finding considerable mineral resources.

COLONEL WALSH: Yes. In recent years considerable mineral resources have been discovered, and more progress will be made. But for the foreseeable future I think the picture for South America and Canada is indicated by what people currently know about it, and that is what I tried to point out.

COLONEL WIRAK: I might help out a little. There is still a lot that is not known, but there is something being done about it. Since 1945, due to the foresighted sponsorship of G-2 of the Army, there has been a cooperative mapping program involving every country in Latin America except Argentina. It has since been extended to the Air Force, but it is primarily Army. It is really making great progress.

QUESTION: Is that geological mapping?

COLONEL WIRAK: Yes. It has another ten years to go.

COMMENT: But as of now we have to do the best we can with what we have.

COLONEL WALSH: That was a very interesting question. Is there any further comment or discussion?

QUESTION: I have heard that the Amazon is a storehouse of possible food and wood production. The growth there is not paralleled in any other place in the world, especially hardwoods. I think this pulp wood would come in here. In other words, it seems to me that the potentials are tremendous.

COLONEL WALSH: The soil in the Amazon basin is not particularly rich. As is characteristic of a tropical location, the soil is leached out by the torrential rains.

On the other hand, on the bulge of Brazil, there is an area there of drought, practically a desert. So it is dangerous to generalize.

But let us take a specific example. The Ford people tried to go in there and raise rubber prewar. They finally gave the project up and turned it over to the Brazilian government, because they couldn't compete with Asiatic rubber raisers, despite the fact that rubber raising started in Brazil.

We are apt to think of the interior, the Amazon basin, as having an economic potential. A lack of men, of course, partially explains the lack of economic development. In Brazil, although it is as big as the United States, the population is confined to the eastern seaboard. Some expert in the field made a wisecrack that "Brazil has a tremendous economic future!" He went on to say: "I think Brazil has always had a tremendous economic future! Brazil will always continue to have a tremendous economic future!"

Brazil has been talking for a hundred years about "Go west, young man" but the course of events has not demonstrated that that rosy future that they visualize is anywhere other than on the horizon.

COMMENT: I consider one of the most significant features in the Latin American economies to be the fact that there is practically no trade between the individual countries of Latin America. I think there is some concern about that.

COLONEL WALSH: Yes. One of the features of Latin American economies has been the lack of communications from one with the other. That is one of the benefits that the air age is bringing. They are

exchanging ideas. The air age has brought the different parts of Latin America into communication not only with each other, but with the outside world; and it is having tremendous social as well as economic significance. That is one aspect of it.

Another aspect is that the temperate zone countries down in the southern part of Latin America--Argentina, Chile, the southern part of Brazil, and Uruguay--historically have been developed--and other parts of Latin America have too--by capital from Western Europe and by British capital. One story may be pertinent. The British in discussing economic developments with businessmen of the United States said: "You may wean Canada away from us, from the British Empire; but you will never take Argentina." That is a prewar type of story. It was British capital that went into Argentina and developed their resources and their railroads. The products of Argentina are competitive to United States products. It is in the south temperate zone; we are in the north temperate zone. They raise wheat; we raise wheat. We both have exportable surpluses. That was developed by British capital and European capital, and their products found natural markets in Europe.

A third aspect is that the temperate and the torrid zone parts of Latin America historically have not tended to trade their products with each other. Part of the cause lies in lack of capital, and lack of economic incentive. I mean, the money is not there to buy the products from the neighbor countries of Latin America.

Those are different aspects of the question you brought up, although they may not be the exact thing which you had in mind.

QUESTION: I think the Canadian government has been complaining that they have been losing their better trained technological people to us. Has that diminished or is that still a factor?

COLONEL WALSH: The tide has reversed in recent years.

Historically people came into Canada and used that country as a way stop to get down here to the United States. Also their technical people came down to the United States to get their education in our technical schools. Then, because of better economic opportunities here in the United States, they tended to give up their Canadian citizenship and become Americans.

With the postwar prosperity in Canada, with their economy growing at 6 percent a year, a faster rate than ours, and with a great influx of American capital into Canada, particularly in oil and the development of iron ore--fields where technicians and trained engineers, are interested the trend is supposed to have reversed. United States technical people have been going into Canada to work on that type of project, because the money is there.

Another aspect of this same trend is the appreciated value of the Canadian dollar. United States investors going into Canada have bid up the Canadian dollar, and that is why it has been worth more than the United States dollar.

COMMENT: I would like to make a brief comment. I had the good fortune to spend three years in Canada, from 1946 to 1949. I think that Canada has changed considerably from what it was fifty years ago. It is expanding. If anybody has any dough to invest, I would recommend investing it in Canada. There is no capital gains tax up there. They are just where we were fifty years ago.

COLONEL WALSH: It is further north than we are!

Thank you very much, gentlemen.