

ECONOMIC COOPERATION BETWEEN THE UNITED STATES
AND THE OTHER AMERICAN REPUBLICS

20 March 1961

CONTENTS

	<u>Page</u>
INTRODUCTION--Lieutenant General George W. Mundy, USAF, Commandant, Industrial College of the Armed Forces	1
SPEAKER--The Honorable Willard L. Beaulac, Deputy Commandant for Foreign Affairs, The National War College	1
GENERAL DISCUSSION	16

NOTICE

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GENERAL MUNDY: I am sure that you will agree that an understanding of Latin America and its problems is essential to our own well-being and security.

Our speaker has spent most of his diplomatic career in this part of the world. For the past 16 years he has had the ambassadorial rank in the principal capitals of South America. His last post was the Ambassador to Argentina, and currently he is the State Department Deputy to the National War College.

It is a pleasure to introduce to the class the Honorable Willard L. Beaulac. Ambassador Beaulac.

AMBASSADOR BEAULAC: General Mundy, Gentlemen: Thank you for that courteous introduction. I had the impression as I listened to it that I had been around quite a few years. Happily, the time I spent in Argentina doesn't count. I arrived in Argentina in 1956 and met with the American colony and was introduced as a person who had spent more than 30 years in the Foreign Service. That was an understatement even then. Four years later I left, met with the American colony, and was referred to as a man who had spent more than 30 years in the Foreign Service.

One of the many things I like about Argentina is that in Buenos Aires the clock stands still.

It is popular to believe that there is a state of tension between the United States and Latin America. We are told that in the other American Republics there is a revolution of rising expectations which may lead them to accept communism as the quickest way to meet those expectations. The Communists themselves preach this, and the great many non-Communists and anti-Communists in the other American Republics, and in the United States as well, preach it, too.

Persons who say this point to Cuba as an example and they predict other Cubas if somehow the United States does not hurry up and solve the economic problems of the other American Republics. As a matter of fact, the Cuban revolution was less an economic than a political

revolution. It succeeded because the Cuban people never forgave Batista for interrupting the democratic process in Cuba.

Batista, you will recall, took over the government only a few days before the date set for presidential elections, in which he was to be a candidate but which he knew he couldn't win. I was Ambassador to Cuba in 1952 when Batista took over, and the Embassy predicted at the time that the Cuban people in the long run would reject Batista, not on economic grounds but on political grounds. And that is what happened.

Castro's revolution was not a Communist revolution. It was turned over to the Communists after it was won. The communism of revolution leaders, to the extent that it existed, was carefully concealed from the Cuban people. To the extent that the Cuban revolution could be characterized as a class revolution, it was a middle-class revolution, supported also by some of the underprivileged and by some of the privileged as well.

The Cuban revolution was a revolution against tyranny, an interesting point for Fidel Castro to reflect upon.

I give you these thoughts about Cuba because the subject is important not only in the Latin American field but in connection with our broad international position, because the case is being widely misinterpreted in the United States as well as in the other American Republics, and also because it leads into and illustrates the complexity of the subject of today's talk, "Economic Cooperation Between the United States and the Other American Republics."

There is no American Republic with which our Government has cooperated as intimately in the economic field as with Cuba. Cuba receives tariff preferences in the United States. Further, it has been included in our domestic sugar system, much to the envy of other sugar-producing countries and areas.

In my discussion of economic cooperation today I shall be obliged to generalize. I should like to emphasize at the same time that generalization with reference to Latin America is dangerous and leads directly to some of our most important deficiencies in that area. What I intend to say does not apply to all countries or to all countries equally. There are countries such as Haiti, with its overpopulation and its low level of education, and Bolivia, with its geography and history, where problems exist which almost defy solution. Other

countries are on the threshold of dramatic progress, and need only reasonable political stability, rational economic policies, and cooperative relations with other countries to insure that dramatic progress will take place.

In my discussion I shall not belabor points that have been made so often that they have become axiomatic. All of us will agree, I am sure, that North America and Western Europe, with their highly educated people and their highly developed and extensive industrial system, are the center of non-Communist power in the world and that, from the standpoint of our own safety, we should continue to do everything we can to help increase that power and prevent its being disrupted.

At the same time, new centers of power are emerging which some day may be decisive in the power balance. I think that on reflection we can agree that one of these is Latin America. Latin America occupies one-sixth of the earth's land surface, as we know. It has a population equal to ours. At present rates of growth, it will have half a billion by the end of the century. Richly endowed countries, like Brazil and Argentina, with populations of 64 million and 20 million today, will tomorrow have 100 million and 40 or 50 million and will be highly industrialized. They will be important factors in the power picture, capable indeed of becoming world powers themselves.

I am sure that I don't have to argue now that in our own interest we should help the other American Republics to the extent we can to become strong and dependable friends and allies. I shall not belabor the inadvisability of giving with one hand and taking away with another, or, better, lending with one hand and destroying means of repayment with the other, as we do, for example, when we lend a country money and then raise tariffs or put quotas on the products that it sends to us, and must send to us if it is going to have economic and political stability and a reasonable chance to progress under freedom.

I shan't burden you with arguments concerning the need to continue to seek some way of limiting fluctuations, or perhaps better, the effect of fluctuations in the prices of the commodities that the other American Republics ship to us. Fluctuations in the price of coffee, for example, can bring down a government in Latin America, or, at the very least, cause it grievous economic and political trouble.

452

All these and many other aspects of our relations with the other American Republics are important and well worth discussing. They are being discussed, fortunately, so I won't discuss them here. What I shall try to do is give you a little background derived from my own experience in Latin America concerning things that are basic to our position in that area and that are not being discussed as much as they should be.

My first post in Latin America was in Tampico, Mexico, during the height of the oil boom. Tampico was in some ways less of a Mexican city than an American frontier city. The streets were filled with Americans wearing five-gallon hats, and many a Mexican felt out of place in the Tampico of 1922. The foreign oil companies, including the American companies, actually did many of the things that they are charged with having done today. They ran rough-shod over Mexicans and Mexican laws. If dealing with so-called revolutionists, many of whom were no more than bandits, was more helpful to the oil companies than dealing with the Mexican Government, which had not yet been able to extend its authority over all the national territory, some of the companies did not hesitate to deal with the bandits, and even to pay their taxes to them.

Similar events were taking place in Central America at the same time. In this case the proponents were the American fruit companies which at times took on the character of open warfare. They intervened in the political life of the countries where they were. They showed a strange disregard for the rights and the sensibilities of the native population. At the fruit company station in Honduras, where I lived for nearly two years, the only Hondurans employed at good salaries were political fixers. All technical and nearly all office employees were brought down to this tiny enclave in the jungle from Boston. I recall that at this little post the only two persons living in town, except the police, who rarely dared to enter the American part of town, were myself and the Honduran Collector of Customs. We became quite friendly, partly because we were the only two outsiders in town. As far as I know, this Honduran Collector of Customs in the two years I was there was never invited to an American home. He later became Minister of Finance in Honduras, then Ambassador to Washington, and still later became President of Honduras. Strangely enough, he was always friendly to the United States.

Such practices as I have described, unfortunately, were carried out in differing degrees in many parts of Latin America. The cases I have mentioned are undoubtedly extremes, but the kind of thing they represented was in a sense typical of that period and earlier periods of history. After all, we still enjoyed Kipling in those days.

Furthermore, from the point of view of the companies, some of the practices were considered necessary. If, for example, the government of Mexico was unable to give protection to oil companies operating in the State of Veracruz, then the companies felt that they had to look for protection elsewhere. In other words, the bandits sold them protection, much as certain gangsters have sold protection in the United States, and the companies paid those bandits for protection.

Typical of the period or not, or justified or not, the practices of the large American companies were not relished by the governments and peoples of the countries concerned, and reactions against them inevitably occurred. When the Mexican Government took over the foreign oil companies, it had the support of public opinion in Mexico. When many countries enacted laws requiring that a certain percentage of the labor force, frequently a very high percentage, should be composed of natives of the countries concerned, they also had public support.

The companies meanwhile had learned their lesson and times had changed, of course. I do not hesitate to say, on the basis of my own experience in Latin America, that American companies today have in general the most enlightened policies and practices of all the companies operating in that area, including companies operated by nationals of the countries concerned. At the same time, and unfortunately, I may say, the reaction of many Latin American governments to earlier abuses of foreign companies has followed the pendulum principle and has gone so far in terms of restrictions and interferences as to constitute a real obstacle to the further economic development of those countries. This is a part of our basic problem in Latin America, as I shall illustrate later.

I do not mean to imply that obstacles to economic development, such as restrictive labor laws, exchange control, and other restrictive practices developed only as reactions to abuses by foreign capital. The great depression of the early thirties and, later, war-time scarcities also encouraged controls and restrictions. However, the earlier abuses of foreign companies contributed importantly to

the development of those restrictions and justified them in the minds of the people when they were applied principally to foreign companies, many of which were in a position in proper circumstances to make contributions to the economic development of the countries concerned that were important, and even essential, and that no one else could make.

Just as importantly, those early abuses helped to give rise to the legend of American imperialism, particularly economic imperialism.

Our Government's attitude also contributed to this legend. There is no doubt that, prior to the early 1930's, our Government tended in Latin America to identify the United States national interest with the specific American interests in the various countries, that is to say, with American investments in those countries. In a very large part the diplomat's consul's time was spent in protecting American interests.

I'll give you an example of this. The capitol city of Managua, Nicaragua, was destroyed by earthquake during March of 1931. A large percentage of the population was killed and a much larger percentage injured. There was hardly a habitable house left in Managua. I was Secretary of Legation at Managua at the time. We had 4,000 Marines in the country. On the third or fourth day after the earthquake, when the American Legation was housed in a Marine Corps tent and the sole business of the American Minister was to head the relief effort of the United States Marines and the American Red Cross in Managua, the Legation received a telegram from the State Department instructing the Minister to call on President Moncada and ask him to pay promptly a bill which the Nicaraguan Government owned to an American oil company. The American Minister at Managua was Matthew Hanna, an old Army man who had written a book on infantry tactics, which some of you may have heard of. It was well known in its time. Matt Hanna nearly had apoplexy. He nearly hit the ceiling. But in his reply to the State Department he decided to stand on principle. He reminded the State Department that the American Legation in Managua was not in the business of collecting debts for private companies. Matt's telegram must have gone to Secretary Stimson himself, because we never got a reply, and I have never in my service as Ambassador been instructed to approach a foreign government and ask it to pay a commercial debt. I may say that private companies, knowing that they

cannot expect the State Department to collect their debts, are today much more careful about the terms on which they do business with foreign governments. That is good for them and for the countries concerned.

Lest you think that the State Department was an example of extreme cruelty, I would like to say that this telegram to Managua was merely a case of the right hand not knowing what the left hand was doing. It reminds me of an incident that occurred to Mike Pearson when he was in London. Mike, as you recall, is the head of the Liberal Party in Canada. He used to be Ambassador here in Washington. During the war he was Charge d'Affaires in London. During a particularly difficult stage of the blitz, some of his colleagues who apparently had a guilt complex because they were safe in Ottawa, drafted a telegram to the Canadian Embassy in London saying, "We are thinking of you." A few hours later the Embassy in London received another telegram reducing their allowances by 50 percent. Mike sent a telegram back to Ottawa. He said, "For God's sake, stop thinking of us."

The years when our Government stressed the protection of American interests abroad were also the years of our military interventions in the Caribbean area, specifically in Nicaragua, Haiti, and the Dominican Republic. These, in the opinion of many, brought benefits to the countries mentioned, even while they brought problems to those countries and to us. Among other things they spawned such persons as Trujillo in the Dominican Republic and Somoza in Nicaragua. They also made their own contribution to the legend of imperialism that now plagues us.

The charge of imperialism has, of course, been meat and drink to the Communists and to the demagogues who do most of the Communists' work. Among other things, it helped to give rise to the restrictive labor laws, as we have seen. The legend of imperialism encouraged certain governments, such as the Peron government in Argentina, not to mention the Castro government in Cuba, to engage in interventions and expropriations of American and other foreign properties, without the attendant formality of prompt and adequate compensation.

Let us look at the case of Argentina a little more closely, because it illustrates one of the points I am trying to make. A few years ago, Argentines would have been insulted if you had referred to the country as an underdeveloped country. Now their leaders

claim that it is underdeveloped, and that they have to have all kinds of international cooperation in order to develop fast. And they are right. They do need it. But let's see how this came about.

When World War II ended, General Peron was President and Dictator of Argentina. He had accumulated foreign exchange amounting to \$1.5 billion. What did he do with it? He used it to buy the decrepit Argentine railroads from the British, much to the delight of the British, who wanted to get rid of them. He used it to buy the telephone company from the Americans, much to the delight of the Americans. And he used it to engage in other similar uneconomic and unnecessary operations, including expropriations, although not on a large scale, in the name of Argentina's sovereignty. He was ridding the country of the foreign imperialists, you see. Furthermore, he intervened the economy, raised wages by government decree, and placed intolerable burdens on agriculture, industry, and commerce. In short, he nearly ruined Argentina's economy.

The railroads and telephone system deteriorated. The industrial plant became outmoded. Agriculture production and exports declined. The country's foreign exchange reserves were dissipated, and its debt increased. In those circumstances there was nothing the United States could have done to save Argentina from disaster.

Argentina today has some characteristics of an underdeveloped country. However, if its foreign exchange reserves had been used wisely and if its government had refrained from deliberately wrecking the economy, Argentina today would be a vastly better country, and this without reference to any cooperation we might have extended.

Fortunately, the Argentine Government that was inaugurated in May 1958, adopted rational economic policies and immediately made itself eligible for United States cooperation and the cooperation of other countries and of international agencies. That cooperation was forthcoming in massive amounts.

The point is that under Peron we could do nothing to help Argentina. Under Frondizi help was immediately available and produced immediate results.

Let us look at the case of Chile. In 1953 the tax on the earnings of the large American copper companies, which had investments of nearly a billion dollars in the country, was 83.5 percent, a confiscatory rate. The copper industry is the backbone of Chile's

economy, and Chile's economy was going downhill with alarming speed. Not only was the Chilean Government applying a confiscatory tax rate to the American copper companies but it had fixed a minimum price for Chilean copper that no foreign buyer would pay. The companies, taxed to death, and unable to sell their copper in any case, had stopped making new investments. The umbrella that the Chilean Government was holding over copper prices encouraged new investments in copper mining in Peru, the Belgian Congo, and other places. Aluminum came more and more to replace copper.

In other words, as a result of the Chilean Government's action, competition increased while the market decreased. To add to the desolation of this picture, Chile was in the throes of a runaway inflation.

Can you guess what the Chilean remedy for this economic illness was? Chileans said that the situation could be saved by a massive injection of dollars to be supplied by the Government of the United States. All the political parties said it; the press said it daily and in increasingly peremptory terms.

Now, it must be obvious to you, as it became obvious to the Chileans eventually, that an injection, as they called it, of dollars would only have served to prolong and worsen the situation. There was nothing the United States could do until Chile herself had taken steps to remove the obstacles to her own economic improvement which she had needlessly erected.

I am happy to say that the Chilean Government took steps to reduce the tax on the copper companies' profits to a possible 50 percent. As soon as she agreed to do this, American investment, both public and private, again began to enter Chile. Even today, however, Chile imports one-half of her petroleum needs from abroad and pays for them in scarce dollars rather than permit foreign petroleum companies to help produce petroleum in Chile. And she closes the door to this kind of dollar help by private foreign interests while complaining to our Government of a chronic dollar shortage which exists, but which, as you can see, could be greatly reduced by a simple political decision to invite the foreign oil companies in to help develop Chile's petroleum resources.

This situation is repeated on a much larger scale in Brazil, which has in addition exerted an enormous amount of public political pressure on the United States to grant loans and extend credits

without Brazil's placing herself in a position to receive and utilize these credits in ways that would be helpful and not hurtful.

The point I am illustrating and that I hope you will keep in mind is that the many obstacles to trade and investment imposed by the governments of the Latin American countries themselves are an important impediment to that economic progress which the political leaders of those countries are asking the United States Government to help promote.

Now, a second point: Coincidentally with these events which have tended to retard rather than to promote economic development, the Government of the United States assumed publicly and voluntarily a degree of responsibility for the economic improvement of the countries of Latin America, as indeed it did in the case of countries in other areas. The Institute of Inter-American Affairs went into Latin America during the Second World War and initiated projects in public health, agriculture, and so forth. These projects were intended to be of help to the American Republics during the difficult war years. They were intended to encourage the other American Republics to produce raw materials that we needed, as well as to reduce their demands for our own supplies of scarce materials that they wanted.

Whatever the reasons, the idea that our Government has a direct role and a direct responsibility for economic improvement in the other American Republics took root and now is accepted as an axiom both here and down there. The concept that the United States has responsibility for the economic improvement of the Latin American peoples is taken seriously in Latin America. Furthermore, it is not a very long step, as things go in Latin America, from asserting that the United States has a degree of responsibility for the economic improvement of the other American Republics to asserting, or implying, at least, that the United States has the principal responsibility, and a considerable number of political leaders in the other American Republics have taken that step.

This constitutes a second obstacle to economic development in Latin America, and it has had two adverse effects. The first has been to lessen the responsibility which each country has for its own improvement. This lessened feeling of responsibility is in itself an obstacle to improvement, because, in nearly any country we can think of, 98 or even 99 percent of the effort toward improvement has to come from the country itself. All we can do is to add the remaining 1 or 2 percent, the missing component, as it is sometimes called. It

takes a courageous political leader who, after all, is out for the votes, to admit that his government has made mistakes or has failed in its obligations to the people, or to tell his constituents that they must tighten their belts and consume less instead of more of certain things temporarily in order to help achieve the economic improvement they aspire to, when he can tell his people instead that it is not his mistakes nor his government's mistakes nor their own failure to do certain things, but rather the failure of the United States to give enough help which is responsible for their troubles; that if the United States would give more or lend more, then no sacrifice would be needed, and all those new and in some cases uneconomic industries which the political leaders have been holding out as a solution of the country's troubles would suddenly be attainable and, miraculously, economic as well.

By placing the blame on the United States instead of where it belongs, by alleging that the United States is not generous enough, or imaginative enough, or helpful enough, rather than admit that failure to progress is due in large part to obstacles placed in the way of progress by the government itself and to failure on the part of the government and people to take certain steps themselves, and that satisfactory progress will not be achieved until those deficiencies are remedied, the political leaders reduce the pressure to remove those deficiencies and thus tend to defeat the purposes they say they have in mind and that we say we have in mind.

Very importantly, to the extent that we permit the Communists, the demagogues, and the sincere and insincere political leaders of other countries to charge with impunity that we are responsible not only for our own failures, but also for their failures, we ourselves help to defeat those purposes.

The other adverse effect, of course, is to damage the position of the United States in the other American Republics. If people came to believe that their troubles are due to our niggardliness, they will feel less impelled to cooperate with us, and the causes that we represent will have less appeal to them. This not only damages our own position but detracts from support of the worldwide causes we espouse.

The picture I have given you is not one that you will get from the press or from many political leaders either here or in Latin America. Nevertheless, I believe it is a true picture and that it is close to the

heart of our long-term problem in Latin America. I also suspect it is close to our problems in other areas as well.

Let me summarize the problem as I see it. By our own acts in Latin America we helped to create a legend of imperialism which the Communists and the demagogues exploit, despite the fact that both our Government and our private interests in Latin America today are following policies which, if not exemplary, are certainly far from being imperialistic, and which are capable, under conditions which only the Latin American countries can create, of making important and in fact irreplaceable contributions to the economic improvement of those countries.

When and where those conditions have existed, that improvement has taken place. However, in general it has not taken place to the extent or as rapidly as the people of those countries have been led by their political leaders, and sometimes by our political leaders, to think it would take place. Blame for the failure of this to happen has been placed on our doorstep, on the doorstep of the one country that has made an earnest, unprecedented, and even a prodigious effort to help them.

Even the political failures and offenses of Latin American leaders have been placed on our doorstep. The revolution against Batista's political crimes is presented to the world as a revolution against economic and social evils for which somehow a very high degree of responsibility attaches to us. And we are warned that there will be other Cubas in Latin America for which presumably we also will be responsible.

Because we have been blamed not only for our own shortcomings, which are very real, but also for the shortcomings of others, our position in Latin America has been weakened, and support for the worldwide causes we espouse likewise has been weakened. Also, pressure on the other American Republics to help themselves by adopting more rational economic policies has been lessened. They have not helped themselves to the extent they could, and thus they have nullified much of the help we have been able and anxious to give them and have given them.

Furthermore, unless this problem is solved to a degree, at least, there is no chance that economic improvement will accrue to many of the countries of Latin America at a rate which the people

will accept as satisfactory, and in the long run the temptation to take short cuts in order to try to achieve more rapid economic improvement will tend to increase.

One short cut, or apparent short cut, is, of course, communism.

Now, we have pointed out the problem. What do we do about it? The Act of Bogota, it seems to me, is the beginning of a possible solution. If we follow assiduously and rapidly along the road that was opened at Bogota, it seems to me that we have a fair chance of achieving in considerable measure the high results we set out to achieve long ago but have not yet come close to achieving.

The Act of Bogota, which has been described to you in earlier lectures, is important because it envisages measures of social development, such as land reform, agricultural credit facilities, review of tax systems and fiscal policies, measures which are needed in the other American Republics. However, its greatest importance, in my opinion, is that in a single document, signed by all the American Republics except Cuba and the Dominican Republic, mention is made in specific terms not only of what we, the United States, can and should do for the other American Republics but also of what they should do for themselves, and what in fact they must do, if our cooperation is to have significant results.

Implicit in the Act of Bogota is recognition by the other American Republics that what we can do for them is to add something to what they do and that it is sterile to keep on talking about what we will do for them unless we talk at the same time about what they are going to do for themselves.

This is plain commonsense. It is the opposite of demagogy, which is one of the principal obstacles to progress in Latin America. It has taken us 20 years to reach this point, but we have reached it, and if we follow up on this important gain, the future for cooperation with the other American Republics will be much brighter than it has appeared to be in the recent past.

The obstacles to progress, including obstacles set up by the governments of the other American Republics and by our Government as well, should be identified, recognized, and dealt with. It is frequently simpler to amend a tax law or lower a tariff than it is to lend or borrow and repay \$100 million, and in many cases it is much more helpful.

462

When the government of Chile reduced the tax on the profits of copper companies to a reasonable level, a single copper company promptly invested an additional \$100 million in Chile, and our Government also was placed in a position to be helpful. By taking this step, Chile saved herself from economic and political chaos and started out on the road to progress.

When the Argentine Government reversed the disastrous policies of the Peron regime, it made possible one of the most intensive programs of governmental and private cooperation and investment in the history of our relations with Latin America. The results have already been impressive. A billion dollars of new capital went into Argentina. A few years ago Argentina didn't produce an automobile. Last year she produced 70,000. A few years ago she didn't produce any steel. This year she will produce nearly one-third of what she consumes. Only two years ago Argentina was importing \$300 million worth of petroleum products a year. In 1962, or the end of 1961, with the help of foreign oil companies, she will be self-sufficient in petroleum.

We need to identify the obstacles to development one by one, country by country, and to eliminate them. What else do we need to do? There should, of course, be improvement in the organization and coordination of economic cooperation. Improvement in personnel is perhaps the most urgent of all. The human bottleneck, in my opinion, is by far the greatest bottleneck and will remain the greatest bottleneck in this field, which of course makes it more urgent that it be reduced.

In the field of technical assistance, to which I attach great importance, because improvement of skills is capable of producing as much, and in some cases more, general improvement than financing and is much cheaper for all parties, the tenure of ICA directors in Washington has been so short that in all too many cases these individuals have not been able to learn their own jobs before leaving office, let alone make contributions to the advancement of the important operation they have headed.

Out in the field, the number of experienced, capable USOM leaders--that is, heads of the technical cooperation missions--is all too small. I myself have known no job that requires more background, more skill, more dedication, more subtlety, and more courage and forbearance than does the job of the USOM director. I know a very limited number of persons who fit this exacting standard.

The number of technical people of the kind needed to do the job properly--and I stress the word "properly"--and who also are willing to go abroad with their families and do the job is very limited. During my mission in Paraguay we had an excellent illustration of this. We were near the end of the fiscal year and as was the custom in those days--I hope it isn't today--an emissary came down from Washington. He told us we had some money left over and that it would be available for a vocational educational project if the Paraguayan Government needed one. Well, goodness knows the Paraguayan people needed vocational education, so I talked to the President and he agreed to sign a project agreement. Then we started to look for someone to head up the project, and in doing this we learned a number of interesting things about vocational education in the United States. We learned, for example, that there was a shortage of vocational education teachers in the United States. We learned that there was an acute shortage of competent vocational education teachers. And of those competent teachers very few spoke Spanish, which was a requisite for the job. Of those who spoke Spanish, none was willing to go to Paraguay. So this project was delayed two years before we could find a man who was reasonably fitted to do the job and was willing to do it.

Another feature of our programs, of course, is that they built up a bureaucracy. This presents problems, because technical assistance in particular lends itself to specialized, individualized treatment and local control, to all of which bureaucracy is allergic. Whereas programs should work for the people in the field who are conducting our foreign relations, of which the programs are merely a part, we come to a point where we find that, instead of the programs working for us, we are working for the programs.

Then a great deal of our effort which should be devoted to diplomacy has to be devoted to putting the program in its proper place. This does not inevitably occur, but it occurs more frequently than it should.

Coordination among all our programs is, of course, a basic need. For this purpose our private investment constitutes a very important program, although our Government does not control it. In Argentina we had what we considered a well coordinated program which involved private industry, the Export-Import Bank, the Development Loan Fund, the Treasury Department, the International Finance Corporation, private American banks, the International Monetary Fund, and technical assistance. We have no mechanism to insure that this kind of coordination will take place, and it would be difficult to create any

such mechanism, but the effort is certainly worthwhile. However, in this field, as in the general field of cooperation, I believe that personnel and personality are at least as important as organization.

The problem of economic development in the other American Republics is urgent and the need for solution is urgent. Under the very best circumstances, progress is going to be disappointingly slow for many peoples. The short-term needs of Argentina alone can be measured in the billions of dollars. If we add Brazil, which is three times the size of Argentina, then Mexico, Columbia, Chile, Peru, Cuba after Castro, and then the remainder of the American Republics, the amount is staggering.

Beyond the American Republics there are Asia and Africa, where the priority of need is equally urgent.

The loss of dollars which the United States has been suffering in its international payments has not enhanced our stature in the eyes of the rest of the world. I would hope, however, that it would have encouraged leaders of the underdeveloped nations to stop considering the United States as an inexhaustible source of economic aid, which it has never been although it has allowed itself to appear as such, and further encourage them to look more to their own resources and their own efforts to bring about that progress which they have promised their peoples.

If they will do this, and if we will do the things we know we can do and should do, we shall be largely equipped to help supply the missing component which will insure maximum attainable progress.

Thank you.

MR. HILL: Gentlemen, Mr. Beaulac is ready for your questions.

QUESTION: Mr. Ambassador, a previous speaker has suggested that we might worry a little less about present heads of government and concern ourselves with future potential leaders. I wonder if you can tell us if we have taken any positive steps along this line in Latin America, to try to identify these leaders and to educate them in the stable forms of government you have spoken of.

AMBASSADOR BEAULAC: I think we do that to an extent in our routine activities. Of course embassies today, as you know, are pretty large institutions. Instead of having a half-dozen people like

we had 20 years ago, now we have 50, 100, 150, or more, and also there are all kinds of agencies included, and you have enough people of different categories so that there is a good deal of contact with the various segments in the community.

Of course it would be nice, in a way, to be able to predict accurately who is going to be in power next year or five years from now and to develop the best kind of relations with him without damaging your relations with the people who are in power at the present time. They, of course, are the people with whom you have to conduct relations.

It is difficult in a community where politics is taken very seriously and where the opposition is usually not a loyal opposition but a disloyal opposition, to have overt friendly relations with this disloyal opposition, because it is considered, rightly or wrongly, as an act of unfriendliness toward the government which, as I say, is the government in power, to which you are accredited, which has the ability to cooperate with you, and which is the only group that does have that ability.

I would say that the objective of having good relations with the people who are coming in power tomorrow is good, and an effort should be made to accomplish that objective. I think efforts are being made. Whether they are good enough or not, of course, it is difficult to say. It varies from country to country and from time to time. But the problem is beset with all kinds of complications which people who make this recommendation frequently overlook.

QUESTION: Mr. Ambassador, during the 1940's we had a Coordinator of Inter-American Affairs. I believe Nelson Rockefeller headed it for a time. In perspective, how did this work out? Did this provide any of the types of coordination that you are referring to?

AMBASSADOR BEAULAC: Well, of course the Committee and the Coordinator of Inter-American Affairs is the operation that I referred to in my talk, in the 1940's. I mentioned the purposes we went in there for, you recall. We wanted to help the Latin American countries to produce things that we needed down there for our war effort, and we wanted also to help them to produce things that they didn't have and that they were claiming from us and that we needed--scarce articles. But perhaps the most important objective we had in mind at the time was to get into these countries, to get inside the countries and begin working inside, so as to influence them in connection with the war effort.

It was a kind of crash program, as it developed. It was a program that was hastily conceived and initiated. Therefore we began to work in the obvious fields. What are the obvious fields? An obvious field is public health, for example. We had a long tradition of having helped in the public health field--at least our Foundations had, and our Government had, in a nonsystematic way. There is the field of agriculture, where technicians were readily available--and so forth and so on.

So, without too much thought as to whether those were the most appropriate fields to work in, we began to work in those fields. I would say that that is part of the learning process as far as economic and technical cooperation is concerned. I don't believe that in general these projects brought the results that we had hoped for, but they were part of the learning process.

Since this tendency of privileged countries, capital exporting countries, and technique exporting countries to cooperate with other countries is part of the world system today, and undoubtedly will continue to be part of it, in retrospect it is a good thing that we went through that learning process in the 1940's.

Now we seem to be going back to it, in a sense. I spoke of the Act of Bogota, for example. A great deal of attention is paid in the Act of Bogota to social measures, such as public health, education, agricultural credit, housing, and so forth and so on. It is in those fields where we started to cooperate in the 1940's, and specifically in the fields of agriculture, health, and vocational education, for example.

I myself have tended to put the shoe on the other foot. It is a little bit a case of which comes first--the chicken or the egg. For example, if poor health is due to poverty, and poverty is due to faulty economic practices and policies, what is the best way to attack that problem? Is it to go in and establish a health project with the hope that when these people become healthy they will think more clearly and improve their economic policies? Or is it better to try to eliminate poverty first, or lessen it, by inducing the government to alter its economic policies so as to make the community more prosperous? With prosperity, schools can be built, and when schools are built then you are fulfilling all your objectives at the same time.

I tend to think that economic policy comes before education. I suppose in ideal circumstances both things should be done at once. I notice that under the plan which the President presented to the Congress the other day he wants to do that. There will be a certain amount of low-interest loans, loans repayable in local currency, and even grants in the field of education, the field of housing, and of public health. At the same time our Government expects, and has said so pretty clearly--we've made great progress, I would say, along the general lines of my talk--that we will expect the other countries to do the things which are clearly needed in order to make help of the kind we are willing to give really effective. That, of course, would include giving private capital the opportunity to make its basic contribution and enacting legislation which would be useful and effective in the economic field as well as in the social field.

QUESTION: Mr. Ambassador, as the chief official in a Latin American country, would you have any qualms or misgivings or concern about the Peace Corps, based on what you have heard and read about it?

AMBASSADOR BEAULAC: Yes, I would have considerable. I am not prepared to say that that's a poor idea. I try to keep an open mind on these things. But I must say it goes against most of the things that I have considered more or less axiomatic so far in the field of cooperation. If our people become really inspired, as inspired as the President seems to be, and are able to carry this thought into action, I can visualize that in certain countries, under certain circumstances, this group can be helpful.

At the same time it seems to me that there are possibilities that in certain countries and in certain circumstances which can be freely predicted, the thing could be a disaster.

This idea seems to be based on the principle that people want to be helped. We can't assume that people want to be helped. It is a question of definition, of course, a question of how you define help. Everybody wants to be helped in his particular way according to his definition.

Take the Congo, for example. Mr. Mobutu wants to be helped in his way, and Mr. Gizenga wants to be helped in his way, and the Indian representative of the United Nations wants to help in his way, and we want to help in another way, and so forth and so on.

But this idea that individuals want other individuals to come into their homes and their communities and tell them how to use long-handled brooms instead of short-handled brooms, as in the "Ugly American," is basically wrong, in my opinion.

If you have ever raised a family, and most of you have, I think you understand how difficult it is to help immature people in that sense. Most of the people who need help are immature politically as well as economically. If they weren't they wouldn't need the help that they do need.

So in my experience, and according to my judgment, the best help that you can give people is indirect help, the kind of help where they don't realize they are being helped, or if they do, the help isn't so blatant and evident that you get a reaction against it.

Take technical cooperation programs for example. Take this little country, Paraguay. I used to be in Paraguay. I don't know how much we spent in Paraguay, but we spent millions and millions. And I don't know whether there was any alternative to it, either. I visited Paraguay about three years ago, after having been out of the country some 14 or 15 years, and I looked around to see what effect our activities had had. It was difficult to see that they had had an effect commensurate to what we had spent and commensurate with what the other government had spent, because the other government always spends money, too. It seemed to me that it was because we had been following the pattern that was established when the coordinator went down there with this crash program. We began to work in the only way we could, and we have continued to work in that way.

We sent down large groups of people who had fine cars. They rented the best houses and that caused rents to go up. We had a military mission down there and we had an air mission, and they rented fine houses and caused rents to go up, and so forth and so on. We had worked down there for 15 years and had spent a great deal of money. Living costs in Asuncion, the capital, had risen a great deal. The city was not filled with Americans, but Americans were very evident in the city. The army, which had 10,000 people when I was in Paraguay, had 30,000 when I went back. The improvement in the economy which had taken place had all been absorbed by this increase in the military.

Now, we probably weren't responsible for the increase in the military establishment, but we had military missions in Paraguay all the time, and certainly the presence of these military missions didn't prevent an increase in the army.

I don't doubt that a good many Paraguayans associated our presence with this increase in living costs and with the increase in the size of the army, which was a greater burden, proportionately, on the economy than when we started to help improve the economy.

In my judgment, and in retrospect, we would have done a better job if we had had fewer people in Paraguay and had concentrated on things that were basic to the improvement of Paraguay's economy. Whether we could have prevented the army from increasing three times, I don't know--that's probably not our fault--but certainly one of the accompanying results of our military program down there was that the army, as I say, did increase three times, and as years went on did consume an increasingly high proportion of the total income of the country.

In Argentina we have followed the opposite principle. Our program is new down there, so I shouldn't boast about it, but we have followed the principle that we should limit our technical cooperation--I am talking about the field of technical cooperation now--to fields that are basic to Argentina's problems; that we should have the smallest possible number of people in Argentina, of people who are visible to the Argentines; that we should use only the best people in the United States to help us meet the particular problems we are handling in Argentina.

The way we have done that is to use university people, university professors who are actively teaching. For example, in the field of agriculture, we haven't sent down a dozen men to live in Buenos Aires or to live up in Rosario and have their cars and their houses and their families, and so forth, men who are perhaps not the most competent in the world, because if they were the most competent they wouldn't take the job, usually. They might be broken-down professors or they might be loyal bureaucrats. They might have competence, or they might not have competence--we have all kinds of people who work for the Government, as you know. Instead of using such people we have gone to the best universities and have gotten the best people in the field and have brought them down for brief periods to meet with the best people in Argentina we could find in the field, to survey the problem and to help to organize a program to take care

of the problem. Then these people go back to the United States. Six months later they come back for another three weeks or four weeks, or whatever it is. They see the progress; they have another conference; they modify this program; they return to their universities.

In that way the Argentine people hardly know they are being helped most of them, that is.

Now, you can say we don't get credit for that. As a matter of fact, credit, in my opinion, is not the right word. If you go back to this fundamental thesis that people don't want to be helped in the sense that it is popularly assumed they do, then credit is not the word.

However this is turning into a speech. It is a very complicated subject.

MR. HILL: Mr. Ambassador, we are aware of the fact that you have rearranged your busy schedule so as to be able to share with us the last hour in discussing the problems of Latin America. This we appreciate very deeply. On behalf of the Commandant and all of us, thank you, sir, very much.