

ECONOMIC TRENDS IN LATIN AMERICA

14 March 1962

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NOTICE

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Publication No. L62-144

INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

The Honorable Willard L. Beaulac, Deputy Commandant for Foreign Affairs, The National War College, was born in 1899 in Pawtucket, Rhode Island. He received the degree of Bachelor of Foreign Service in 1921 from Georgetown University, having previously been a student at Brown University, 1916-1918. Starting as Vice Consul, Tampico, Mexico, in 1921, Ambassador Beaulac has spent most of his diplomatic career in Latin American posts including those in Managua, Nicaragua, San Salvador, El Salvador, and Havana. He has been Ambassador to Paraguay (1944-1947), to Colombia (1947-1951), to Cuba (1951-1953), to Chile (1953-1956), and to Argentina (1956-1960), and since then he has been in his present position at The National War College. He has, in addition, been a delegate to several conferences of the American States. This is his second lecture at the Industrial College.

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ADMIRAL ROSE: Gentlemen: To get an expert on any subject, you either have to find somebody who knows something about the subject or go out of town. We did not do the latter because our speaker is not from out of town. He is from right across the front yard, the National War College.

He does know his stuff about Latin America. He has represented the United States at the highest level in four countries and he has had a great deal of other duties in that part of the world.

I think we could not find a better qualified man to speak to us on the "Economic Trends in Latin America" than Ambassador Beaulac from the National War College.

AMBASSADOR BEAULAC: Admiral Rose, Gentlemen: I really can't claim to be an expert, but I have been exposed to Latin America a good many years. I have been so long in the Foreign Service that when I first came in years ago--you people wouldn't believe this, but--in some countries we had what are called capitulations. You have heard of capitulations. Where capitulations exist foreigners are not judged by the courts of the country but by their own courts. In places, for example, like Egypt and Turkey, we had American consular courts. The consul was the judge of his own citizens accused of crimes. All of our consuls weren't lawyers, of course, and some were real characters.

I remember talking with one, one time, who wasn't a lawyer. He said, "You are not a lawyer. How do you do this kind of thing?" Oh," he said, "it's easy. I listen to one side and then I listen to the other side, and then I dispense with justice."

This morning I am going to dispense with a lot of the facts with reference to Latin America. After all, you can read them. They are available to you. What I hope to do is to give you some thoughts,

a little bit of philosophy, and a few ideas that perhaps you can't get in your reading but which I think are pertinent to the subject.

First of all, I should like to make a few references to our courses here at ICAF and NWC, things that you are all familiar with, but things that I have to remind myself of as I listen to these lecturers and do the reading that we do.

It seems to me that only a group like yourselves, with vast experience and vast background, could be given a course like this usefully. A less mature group would think that the course had given you answers to these tremendously complicated problems that we face in the world today, when as a matter of fact what the course really does is to give you shorter routes to the proper questions in this field.

In our schools we have committees, and the committees are given problems and then we work out what we call committee solutions. We have a habit of saying that there are no school solutions to these problems. Sometimes we act as though it was within our province to give school solutions to these problems if we wanted to. But as a matter of fact we know, if we think about it, that that really isn't true; that what we call solutions are really lists of objectives aimed at achieving a larger objective, or other larger objectives.

It isn't too difficult, given the unusual background that you people bring to the course, plus the reading we do and the lectures we are privileged to hear, to list those objectives. The difficult thing is to carry them out in connection with other objectives that have to be carried out, and within the narrow limitations forced by many circumstances that we are familiar with. One of these circumstances is that our Government always has a Congress breathing down its neck, and the Congress in turn always has the American people breathing down its neck. And the American people, or few of them, at least have had the opportunity to take a course here at the Industrial College or at the NWC.

Another complication in carrying out these solutions is that we are dealing principally in the foreign field, and if we find difficulty in controlling our own people in this field and getting them to act in ways that we think are helpful, think of the difficulty we have when we are dealing with foreigners. We just can't get foreign peoples to act like we think they should.

I remember, when Dean Acheson was Under Secretary of State some years ago, they brought in a young man from one of the military departments to help to reorganize the State Department. This young man stayed there a while and finally he brought in a plan for reorganization of the State Department based on the military chain of command. Mr. Acheson read it, and said, "But this won't do. This is not a military department." He said, "When the Joint Chiefs of Staff give an order to invade Normandy, thousands of material things begin to happen at once, but when the Secretary of State gives an order to fix things up with Russia nothing happens. He finds that he has given the order to himself."

Now, we in our schools, and indeed many of the persons who lecture to us, who don't have responsibility in these fields, sometimes tend to feel that solving these problems is disarmingly easy, and we are tempted to wonder why people in posts of responsibility are not as smart as we are, are unable to see as clearly as we can see, or don't have as much guts as we have.

But our own experience in government teaches us that the carrying out of these solutions is an incredibly difficult task. In fact, it is frequently an impossible task, in the terms we recommend, as we know when we look around and see what is happening in government.

When we select our immediate objectives, we are trying to induce change. Granting that we can attain these objectives, we can never tell in what direction change is going to occur. Change has a way of spreading. We never know how far and in what direction it is going to spread.

The Castro revolution in Cuba, for example, started out as a political revolution. It was a revolution to restore the constitution, to restore free elections, to restore democracy to Cuba. But look at what happened. Cuba was turned over to the Communists.

I was in Cuba when the Castro revolution really began. It began the day Batista took over. Batista, as you know, had been President of Cuba some years before, and he was a candidate for reelection. Two or three weeks before elections, when he knew that he couldn't win, he just came in and took over by force. The Cuban people had had a history of revolution, but they thought that they had gotten into the constitutional groove. They were outraged at this act of General Batista in coming in and destroying the constitutional order in Cuba

which had given them pride and given them hope that they could really become a first-class nation some day.

The revolution against Batista began that day. Many of the leaders, the intellectuals, the middle-class leaders, who supported and gave respectability to the Castro movement, began that day to work against Batista.

The nature of a problem, therefore, tends to change as the plan to solve it is carried out, and the steps needed to solve it have to change correspondingly, so they are practically never precisely the steps we have outlined.

Now a second point. Our courses are as broad as any course could be, so we treat them in segments. But in practice problems cannot be treated in segments. If they could be treated in isolation from other problems and circumstances, many of them could easily be solved. But they can't.

This leads me to the Alliance for Progress, which is the name given to the Program for Economic and Social Improvement to which all the American Republics subscribed at Punta del Este. The program derived from the Pact of Bogota, which was signed near the end of the Eisenhower Administration.

The purpose of the Alliance, from our point of view, is to advance the interest of the United States by helping and encouraging the neighbor Republics of Latin America to become strong, dependable allies. We try to do this by assisting in their economic development. Further, we encourage the other American Republics to engage in social reform, in improvement in such fields as taxation, land ownership and utilization, and housing.

The Alliance for Progress, therefore, consists of a series of objectives, just as our committee solutions do. While none of the objectives is new the program itself has new features.

One of them, as I have indicated, is that we, a foreign government, are espousing social reform in the other American Republics openly and systematically. We are offering to help finance such reform, and to a degree we are conditioning our financing on the carrying out of this reform.

We used to insist that loans be repayable and that they offer fair promise of helping the economy of the country, on the theory that economic and social improvement depended on increased production and that loans tended to increase production. Now we insist that the people be benefited more directly through our financing, and we have assumed an important role in helping to determine in what the benefits should accrue to the people, particularly by specifying social reform, as I said.

A second feature of the program is that we have committed ourselves and, indirectly, other foreign countries, to making certain specified sums available to Latin America. This also contrasts with our early position, which was that we would lend them as much as they needed for projects that were viable, that were well-justified, and that lent themselves to our kind of financing.

Now, as in the case of our committee solutions, none of the objectives listed in the Alliance for Progress can be treated in isolation from problems and circumstances some of which may not appear at first glance to be directly related to them.

For example, land reform and tax reform are not only important economic and social matters. They are important political matters and in some countries highly explosive political matters. Their treatment is necessarily affected by political considerations, and the way they are handled necessarily affects political developments which in turn have their own effects.

We have certain problems in our country the solution of which has long been recognized as desirable, and still we have not been able to solve them for political reasons.

No one who talks about the farm problem--the problem of agricultural surpluses--assumes or alleges that the handling of this problem is what it should be. We have these surpluses building up. We are spending a million dollars a day for storage. We are dumping these products on world markets, in the opinion of other producers. We haven't been able to solve this problem for domestic political reasons.

It is going to be at least as difficult to enact rational agricultural reform in most of the other American Republics where reform is needed as it is for us to improve the situation as far as surplus agricultural products are concerned. The political implications are going

to be more serious, because the political structure in the other American Republics is more fragile. The political struggle is much more naked and much more direct than in our country.

I think it is generally agreed that the system of legislative apportionment in our country should be improved. We have known that for years. Similarly many Latin American countries know that their tax systems should be improved. If my reading of the subject is accurate or useful, then it is going to be a long time before we enact fair apportionment laws all over the United States. Similarly, it is going to be at least as difficult to enact and enforce adequate tax legislation in many American Republics.

All this is not to say that the Alliance for Progress is not a very worthwhile effort. We've got to work in this field. Other methods haven't worked out completely well, as well as we have expected, at least, and this is another approach. There are many things to say of the Alliance. What I am suggesting is that a study of the Alliance for Progress will not give us the solutions to these problems that we consider so important and that are so important. What it will do is lead us a little more quickly to the proper questions in this field.

There is one question that history will ask. You will recall that I referred to the origin of the revolution against Batista in Cuba, and I indicated pretty clearly that in its immediate origin it was political rather than economic. One question history will undoubtedly ask concerning the Alliance for Progress is: Was the Cuban revolution and its betrayal to the Communists as important as our interpretation, implicit in the Bogota Conference and the Alliance for Progress, that it was an economic revolution, a so-called revolution of rising expectations which might be expected to be repeated in the other American Republics, nearly all of which have lower living standards than Cuba had, unless we and they did something quickly to bring about economic and particularly social improvement in those republics?

There are a lot of other questions we could ask, but we don't have time. You may want to ask some during the question period. I'll try to answer them if you do.

I think our Government is correct in its view that economic development in Latin America will depend on the success the various countries have in moving forward, as our President would say, not only in the economic field but also in the social and political fields,

and that that success in turn will depend very largely on the relations of the various countries with the United States and the degree to which we may succeed in helping to advance the process. That, of course, is implicit in the Alliance for Progress.

Latin America's progress, like the progress of other areas, will be affected also by developments in Europe, particularly the Common Market, but here again, it seems to me, it is what we will be able to do in our negotiations with the Common Market to protect Latin America against possible adverse effects of the Common Market and possibly to help Latin America to share in some of the benefits of the Common Market which are most important in that field.

What we can do to help Latin America, of course, depends directly as you know as well as I on what the other American Republics do for themselves. We may have considerable success in one country and fail in another. In fact this is bound to be true because of the great differences among the countries. We have to build with the materials at hand, and the way we can build depends upon the kind of materials we have.

The Policy Planning Board of the State Department produced the Marshall plan, which changed world history. It is incapable of producing a plan to settle the Congo problem. In the case of the Marshall plan, we had sound bricks to build with. In the case of the Congo, as you know, we have bricks of straw. Latin America, it seems to me, is half way between those two extremes. In some countries we have fairly sound bricks that can be made sounder with a little encouragement and help. In other countries we are really building with bricks of straw for the time being. It is going to take a lot of time and a lot of patience.

Another thing we can be sure of in this field is that our problems won't be constant. In fact, it is not uncommon for problems to turn around and begin to run in the other direction.

Take this field of financing for example. Thirty years ago, when our private banks were doing the financing in Latin America, they were very generous with our bond holders' money. They were very generous, as a matter of fact. They made loans which were beyond the ability of many governments to repay. You remember that. When the depression years came along all these loans went into default and constituted a heavy burden on the economies of these countries. We were very much criticized for that, and I think rightly so.

Today, on the other hand, when it is our Government that is in the business, the criticism is the opposite. When we try to limit our loans to loans that we really believe, on the basis of sound technical judgment, will be economically helpful and not hurtful, and that won't be a burden on the economy, on the payments capacity of the country, then we are accused of intervening in the internal affairs of the other country, that is, of trying to substitute ourselves for the other government in the decision-making process. So you can't win in that game.

Or take a more recent example. When I spoke to last year's class here I was concerned, rightly, I think, because I thought we were not putting enough burden on the other countries for their own improvement. We tended at that time, and we still do to a considerable degree, of course, to lump all the other American Republics together, to lump them into what someone has called a generalized blob. This over simplification tended to damage our position down there. For example, people said, "Well, the United States doesn't do enough for Latin America." Of course we couldn't disprove that, because, as a matter of fact, we don't do anything for Latin America. We do things--if "do" is the word--for countries of Latin America. We talked about our relations with Latin America, and we still do, when, as a matter of fact, we don't have relations with Latin America. We have relations with countries in Latin America. The fact that we couldn't disprove this charge that we don't do enough for Latin America, because we don't work in that area but in the country area, meant that the charge went disproved, and because it went disproved, it was accepted by people and by governments in Latin America, and I might say by many people in this country, and to a degree by our Government. In fact I would suggest that it was total or partial acceptance of this vague charge that we don't do enough for Latin America that was back in the minds of our political leaders when the Bogota Conference was convened and when the Alliance for Progress was formed.

Now, I still consider that there is danger in lumping the American Republic all together. However, it seems to me today that we are faced with another risk, a risk which is implicit in the Pact of Bogota and the Alliance for Progress and which is recognized by our Government, and that is the risk involved, in our overtly inducing social change in Latin America, not all of which can be foreseen and not all of which will be good, for which we will be held in part responsible, and which neither we nor the countries concerned may be able to control.

In every American Republic there is a very delicate balance of power. There are the political parties; there is the military; there is the banker, the industrialist; and of course there are the people themselves. Whenever you bring about change--and this balance is much more delicate than it is in our country, if it weren't you wouldn't have had the numerous revolutions you had in the past--you disturb that delicate balance. One example that we have already referred to is what happened in Cuba. This revolution to bring about political change and to restore democracy had the result of turning the country over to communism. Similarly, efforts to improve or change the economic system can bring about political change, and have brought about political change.

Reform affects vested interests down there as it does here. Some of the interests oppose reform when it is attempted. And they also oppose us to the extent that we sponsor reform. Thus we become a factor and to that extent a participant in the domestic policies of the countries concerned. That is exactly what has happened today. Our effort to help solve these problems leads us into new problems which may be equally difficult.

This can work in reverse, too. We have given public support to social reform in Latin America, but we haven't been specific. We haven't said, "Land reform is needed in Chile but is not needed in Argentina, for example." If we had been that specific in public statements up to date we would be really intervening in the domestic policies of these various countries and we would have a real problem.

However, one thing we can anticipate, and one thing that has actually happened, as a matter of fact, is that in a given country, if the government says "Land reform isn't needed here," the opposition is going to say, "Yes it is needed," and it is going to quote us to prove that it is needed. So you are going to have an even sharper political division in that country between the proponents of land reform and the opponents, with us in the middle. As a matter of fact we have that in Chile today.

On the other hand, if the same government had said that agricultural reform was needed and if it had quoted the Government of the United States in support of it, the opposition would have accused the government of turning over to the imperialists, of going along with our imperialist designs.

I am exaggerating a little bit in order to make a point. But these things really do happen. In other words, the duty of the opposition is to oppose, and, to the extent that we openly, overtly, and enthusiastically support those measures, all of which are bound to be controversial, then we become involved in this political problem, and we, as well as the government of the particular country, become targets of the opposition party.

Now, I have pointed out some of the complications, some of the questions that arise in connection with our cooperation, and I have tried to point out that it is not nearly as simple as some people try to make it appear. This is not to say that there is any alternative to helping Latin America, by which I mean cooperating with Latin America, because, of course, this is a two-way street. There is no alternative, unless we are willing to turn the whole area over to our enemies, and unless we are willing to open the door to them to take this area over which is on our doorstep and which is tremendously important to us.

What I am trying to say to you is that, in this field of cooperation as in other fields, we shall never have perfect relations with the other American Republics any more than with countries of other areas. It means that no end to the need of helping is in sight and that little credit for helping can be foreseen. We can't look to an end of problems but only to having to deal with them from now on. We can look forward to being blamed not only for our own inadequacies, which will be great, but for those of the other American Republics too. In our frustration at not being able to help to the extent we are expected to, we will try new devices. We do that constantly. That is good. And we will try new slogans. That is less good, perhaps. But the chances are that they won't work, either--as well as we and the other American Republics would like, that is.

What should we do in these circumstances? Should we fold our arms and give up trying to cooperate? I suggest that, on the contrary, we must try all the harder to improve our cooperation. Recognition of the difficulties in the way of cooperation is the first essential step toward bringing about improvement.

The second step, of course, is to pay as much attention to diplomacy as we do to programs in that area. Programs are adjuncts of diplomacy. They are instruments of diplomacy. But they are not diplomacy and they are not substitutes for diplomacy. We can have good programs and bad relations, and we have had them. We

can have bad programs and bad relations. In any case, the presence of programs, good or bad, increases rather than lessens the need for adequate diplomacy. If our relations with other countries, including the other American Republics, are as important as our leaders say they are--and it seems to me that there is no doubt that they are--then our diplomacy has to be of the highest order.

A few years ago, by way of illustration, there was a good deal of talk about our having lost China. It seems to me that this was an unfortunate expression, because we never had China to lose. But certainly Cuba, only a few years ago, was 100 percent in the democratic camp. If we should ask ourselves whether during the years immediately preceding Castro's victory we took advantage of opportunities that were available to us to affect developments in Cuba by the exercise of diplomacy on the spot, I think the answer would have to be, no. That's a painful thing to say, and it's a harsh thing to say, but I think it is accurate.

Another step we have to take is to remove the obstacles to trade with the other American Republics. This business of help, of cooperation, in a sense is a race against time. If we were in an automobile race against time, and if the track were strewn with boulders, we would take the boulders off the track before we spent a lot of money on a more powerful car. But we are not doing that with Latin America. There are a lot of boulders on the track, and we are committing more and more money to cooperation and are still leaving the boulders on the track. When I speak of boulders, I have in mind things like quotas on imports from the other American Republics, quotas on lead, zinc, petroleum products, and subsidies on the export of cotton from our country that competes with cotton from Brazil and Mexico, and so forth and so on.

Aid really is trade. Trade is basic, and aid without trade is a misnomer.

Referring to this problem of boulders, more boulders have been placed on the track by the Latin American countries, themselves, than by us. And therefore the problem has to be attacked from that angle, too. On the hopeful side, it may be that the European Common Market and the new problems that it poses to us and to the other American Republics, too, will oblige us to give more attention to this problem; will oblige us to remove some of these obstacles from the path. If it does, it will have done an excellent service, indeed.

Still another step we need to take is to think and act more in terms of countries than of an area, as I have already pointed out. Each country, as we know, is an entity by itself with its own problems. Many of these problems are common to all countries. Some of them we have ourselves. But they exist in varying degrees and the settings are different. If our peculiar genius requires us, as it apparently does, to devise and apply a single program to all these countries, highly disparate as they are, then we should be careful to apply it in different ways.

Haiti, for example, which I have already referred to, is a tiny country, overpopulated with Negroes who live not much differently from their cousins in Africa today. Haiti has problems which are almost insurmountable. In the absence of massive grants from the United States, it is difficult to see how the Haitians will ever develop the kind of economy we are accustomed to talk about in our oratory. Even in the presence of grants, it is difficult. On the other hand, Argentina is a great, big country, with massive resources, one of the three great agricultural areas of the world, with one of the longest railroad systems in the world, a country with a European population, a country that needs only reasonably stable politics and adequate economic policies to become a world power. And still we tend to apply the same program to all of them, and when we generalize we lump Haiti with Argentina.

Now another point. One of the purposes of our cooperation with the other American Republics should clearly be to help them along the difficult road to maturity. The economic problem down there is a problem of maturity. Immature countries don't develop economically unless they develop politically at the same time, or at least there is a reasonable coincidence between the two things.

The place of the Latin American countries in the world and the extent to which they are able to solve their economic and social problems will depend principally upon the degree of political maturity they are able to achieve. I was talking about this to the Admiral and others prior to the meeting, about this question of taxation, for example. Now, the degree to which taxation should be increased in the other American Republics is a controversial thing. At least the degree to which we should try to help increase it is difficult to determine. Adequate taxation and the adequate use of tax revenues require a sophisticated political organization, and a sophisticated political organization requires a sophisticated people, a certain kind of people, and sophistication isn't obtained overnight.

It's a slow process. It will be years and years, for example, before in given countries in Latin America you will have a tax system which is adequate, which people will be willing to subject themselves to, and which the government will utilize in the proper way. This is to say that the process is slow. The process is one that has to be engaged in and that we have to participate in, but, because it is slow, it seems to me, it is all the more important that we shouldn't give ourselves the impression, and particularly give the Latin Americans the impression, that it is something which is less difficult than it is, and by giving them that impression give them also the impression that it is something that may be around the corner and thereby lead them to have expectations which are only going to be frustrated and will bring discredit to them and discredit to us.

So, since development requires political maturity, political development as well as economic development, we have to exert ourselves to treat the Latin American countries as mature people in the hope that treating them as responsible and mature people we will encourage them to improve their performance in this field.

In retrospect it would be difficult to prove that when the Cuban problem emerged we acted as leaders of the American community; that we showed any public confidence that the other American Republics would carry out their responsibilities under the Rio de Janeiro Treaty. I think it might be said rather that we gave the impression not so much by what we did as by what we didn't do, that we really didn't believe that the other American Republics would carry out their obligations under the Rio Treaty in the case of Cuba. I am not talking about the impression we gave in Washington here where we talk to each other and listen to our own voices, but in Latin American--at least the part that I was in--and I am sure it happened in other areas. Furthermore, we gave the impression that if they didn't carry out their obligations we perhaps wouldn't carry out ours.

Think how difficult it is in these immature countries, where you have this delicate balance of power, for governments to make decisions involving a case like Cuba. It becomes even more difficult unless there is proper leadership on the part of the country that has the major responsibility as well as the major power to act in that field.

In that connection, I think that our decision of Punta del Este the other day, to accept a bare two-thirds majority of votes to throw Cuba out of the inter-American system, was a good decision. As you know, it has been criticized up here. It has been criticized, I think generally, by the press as indicating that the continent is not behind us that the continent is divided. I think it's a fine thing, myself. I think it puts each country on its own now. In the countries that declined to go along, for example, with expelling Cuba from the inter-American system, the governments now have to explain this attitude to their people. Talking about it will be a good thing. In the case of Argentina, as you know, the delegation went back and Frondizi got in trouble with the military authorities and he did reverse his stand. I am not recommending that the military authorities force governments down there to do these things, but I think it is an illustration of the desirability in general of talking these things through, not expecting the governments automatically to follow us, but giving leadership nevertheless, and letting countries that are unwilling to assume responsibility--that we and the majority of countries think that they should assume--justify their attitude before their own people.

Gentlemen, Latin America covers one-sixth of the land surface of the globe. We share a continent with it. A few of the American Republics, as I have indicated, have problems which almost defy solution. Some of them require only stable politics, rational economic policies, and cooperative relations with other countries to become world powers. What happens in Latin America will be of great importance to us. In certain circumstances it could have decisive importance. The need which is common to all the countries, although in varying degrees, is the need for a higher degree of maturity in the political, economic, and social fields.

It seems to me that, if we act like adults ourselves, using the resources of diplomacy that are available to us, and treat those Republics like adults and lead them toward political and economic maturity, the chances for improvement in Latin America are good. If, on the other hand, we treat them as immature nations that cannot be expected to live up to their responsibilities, and then follow them, the results can be very bad indeed.

Thank you very much.

QUESTION: From the papers it appears that our economic actions against Cuba will be successful. Would you like to expand a little bit on exactly what the effects of this success will be in other Latin American countries?

AMBASSADOR BEAULAC: There is so little trade among the Latin American countries and in the instance between Cuba and the other American Republics that in the economic field it probably will have very little effect. It seems to me that it was a political matter rather than an economic matter. The purpose was to get the other American Republics on our side in expressing their repudiation of what has happened in Cuba through this means, rather than the idea that we might have had that this means would have any important material effect in Cuba.

QUESTION: Mr. Ambassador, can you give me your idea as to whether or not the social measures we asked Chile to take will be effective, or will they be purely verbal, in view of the fact that we didn't get into the real problem?

AMBASSADOR BEAULAC: You really have to be inside a situation in order to give a worthwhile answer. I am not trying to evade your question, but I don't even know to what extent the Chileans, have any confident opinions concerning the effects of what we appear to be urging on them. In the first place, I don't know that we are urging any particular course of action on the Chileans except that they improve their finances, that they take steps with reference to the budget, with reference to the balance of payments, with reference to inflation. They are all standard problems and adequate handling of those problems is essential to any improvement.

If you are referring to the field of land reform, for example, that's another problem. Do you have that in mind?

STUDENT: Land reform and taxation.

AMBASSADOR BEAULAC: I really don't know to what extent our people are capable of telling the Chileans what kind of land reform is good for them. In fact, I think we are incapable of doing it. Our people would have to live in Chile for some time, would have to be intimately familiar not only with the land situation but with the general economic situation and with the political situation, and with the character and characteristics of the Chilean people, before we could, with any confidence, tell the Chileans in precise terms what they should do in this very delicate and controversial field, having in mind that it isn't only the mechanical aspects of the problem but the political and the social aspects of the problem.

STUDENT: Is that also true in other countries in which we are trying to get some social reform?

AMBASSADOR BEAULAC: I think that is true. Of course one of the great risks is that our espousal of reform will be used by groups to institute measures in the guise of reform that will not be adequate in the circumstances, and that even might help to exacerbate existing problems. That's a danger.

When I point out the dangers in connection with the Alliance for Progress, I am not implying that any failure to do the kind of thing we are doing would not be accompanied by other dangers. My purpose is to try to demonstrate the kinds of things we have to guard ourselves against, and that, in applying a kind of what we might call an academic or scientific approach to these problems there is one constant, and that is that we just don't know in advance the kind of changes our attitude is going to induce or the kind of problems that we are bringing upon ourselves as well as upon the other countries. The new problems may be improvements over the old problems, for example. When you are changing, you create new problems. To the extent that you are going forward, these new problems represent progress. But the fact that they are going to be new problems and that we are involved in them means that there are going to be new problems for our diplomacy. Therefore you may say that adequate diplomacy is another constant that we have to have in mind.

As far as saying what should be done is concerned, you take our point 4 programs in agriculture for example. Take a country like Paraguay. A man in whom I have great confidence, who was the point 4 Director in Paraguay, told me that he had to stay in Paraguay 5 years, working intimately in this field, before he knew what the problem was, and after 5 years he knew that the problem was not what he thought it was when he went there. It was not the problem that he started out to solve 5 years earlier.

QUESTION: Mr. Ambassador, you have indicated that there are lessons in diplomacy to be learned from the experience in Cuba. Recognizing that at the time Cuba under Batista was favorably disposed toward the United States and we in turn with our policy were favorably disposed in her direction, where did we miss the diplomatic boat when Castro came in?

AMBASSADOR BEAULAC: I was trying to say in diplomatic language that we had the wrong ambassadors down there. That had nothing to do with the fact that I was ambassador there until 1953.

The wrong ambassador succeeded me. I am sure you know there is nothing personal in what I say. What I mean to say is: How can you exercise diplomacy on the spot unless you have some proficiency in the art of diplomacy? How can you have any proficiency in the art of diplomacy if you have never practiced it, if you are not familiar with the problems of the country, if you are not familiar with our policies toward the problems in the country, and if you don't speak the language of the country? I am describing the diplomatic representation we had down there during this crucial time when Castro was in the field, when Batista was trying to figure out what to do, and when the "New York Times" was building Castro up. There was an opportunity, a possible opportunity at least, for us through the exercise of diplomacy, as we had done in many similar situations, because this was not the first revolution in Cuba and certainly not the first revolution in Latin America, and certainly not the first revolution in which the Communists had an interest and to an extent a participation, to help guide the course of events.

The point is that, if there was an opportunity to influence the course of events, as we had been able to do in other countries at other times, we did not take advantage of that opportunity.

QUESTION: Mr. Ambassador, along the same line you indicated that over a period of time and in general we have lacked insight and foresight and initiative in dealing with Latin America. Do you have any generalization as to the basic deficiencies and how they should be corrected in carrying on these affairs?

AMBASSADOR BEAULAC: Have I said that?

STUDENT: Perhaps there is an inference.

AMBASSADOR BEAULAC: I didn't intend to say that. What I intended to say was that the problem is much more complex than we usually are given to understand, and that, since it is complex, and since the possibility of rapid, dramatic improvement doesn't exist, one requisite for further and more rapid improvement is recognition of the complexity of the problem and abstaining from giving the other American Republics, for example, the impression that, if they do certain things and we do certain things, rapid progress is going to be achieved. If we give that impression, then we are limiting the effectiveness of our efforts rather than furthering them.

No, I think we've done a great deal. I think especially our private investors have done a great deal. It has been estimated that development in Latin America--I don't know how you figure this out exactly--has been three times as rapid as it would have been otherwise, as a result of American investment only, not including other foreign investment. There is no doubt that if it hadn't been for American investment the Latin American countries would be really primitive in their economies today--which is another complication we must have in mind in connection with the Alliance for Progress.

Unfortunately, there is not time to mention all these things. To what extent does the Alliance for Progress underestimate, under-emphasize, the value of private investment? We had a lecture the other day, for example, at the War College by one of the leading officials of one of our aid agencies--not AID--and he said, "We are trying to scare the other American Republics into instituting these reforms which we think are necessary."

Well, now, one of the problems we have to ask ourselves, and that we are beginning to ask ourselves now, is: Will we scare the other American Republics in ways that are helpful? Or will we scare private capital in Latin America, which is afraid of these reforms in many cases, into exporting its capital out of the area rather than reinvesting it? And will we scare foreign capital, including American capital, from going in? Reform in Latin America frightens people. It is natural. Adequate reform requires a degree of sophistication which in many countries has not existed up to the present time. The average Latin American politician, for example, loves reform. The idea, the name, gets him votes and so forth. But the kind of reform that he has been able to sponsor in the past hasn't been the kind of reform that has improved the economy of the country in dramatic ways. If it had been they wouldn't have the difficulties that they have now.

Reform is a word which the demagogue can pick up and utilize to his own political advantage. Since demagoguery historically has been a greater obstacle to progress in Latin America than communism, for example, then we have to be alert to the possibility in given countries that insistence on reform, rather than bringing about the kind of reform which in ideal circumstances would be useful, will give ammunition to the demagogues.

This is bound to happen in certain countries under certain circumstances. The hope, of course, is that the risk that this will happen is less than other corresponding risks if we don't engage in

this kind of effort. We can't tell today which risk is greater, but we've got to watch it very carefully, because we want to adjust our policy to circumstances as they develop and as we observe them.

QUESTION: Mr. Ambassador, would you comment on the possible course of events in Cuba for the next year or two? Secondly, what do you think would happen if Castro were assassinated in the near future?

AMBASSADOR BEAULAC: Well, I have no idea. If I tried to predict what would happen in Cuba it would have no more validity than if anybody else in the audience tried to predict it. You just don't know.

Assassination, for example, is one of the things that might happen. You might not only have the assassination of Castro but you might have the assassination of Guevara, of Raoul Castro, and so forth and so on. How are you going to predict?

It seems to me that the assassination of Castro, if it should occur, would not bring about the prompt demise of the administration. From what I have been able to ascertain, the Communists have moved in and to a fairly high degree have taken over bureaucratic control of the regime down there. They have their trained cadres, of course, and in any revolution like this, when the system is completely altered and upset, as it was there, trained people are useful. In addition to that, it looks as though Castro may have been a Communist all the time, although that isn't sure even now.

They have come in and have taken over control pretty much.

On the other hand, it seems to me that unless Russia is willing to come in and give them continuous, costly, massive economic support, and unless the Cuban Communists show greater efficiency than any other Cuban group has ever shown, then Castro's loss as a figure which did have and still undoubtedly has a degree of attraction to noncommunists in Cuba, who must constitute the mass of the population in Cuba, would be a great loss to the regime, and this would add to the fragility of the structure which is going to break up sometime.

I don't know how adequate that is. It is awfully hard to predict what is going to happen.

QUESTION: Mr. Ambassador, as I recall, in the 1958 election in Chile the Communist Party was breathing very closely on the neck of Alessandri. I think only about 30,000 votes separated them. I have heard a prediction from this stage that there is a very good possibility that the Communists might win in the election in 1964. This may indicate that we may not have time in the Latin American countries to get them sophisticated. Maybe we had better insist on change whether we can predict the outcome or not. What do you think of the prediction of the possibility of a Communist election in Chile?

AMBASSADOR BEAULAC: I'd like to take the last part first. I don't think that insisting on change is equivalent to bringing it about. If we could bring about change by insisting on it, particularly the right kind of change, we would have our problem solved. But there isn't any way of doing it, so far as I know. What kind of change, for example: Change to improve the situation? Change to make it worse? Change to give rise to new problems which in this particular stage of history may be harder to handle than existing problems? The problems of 5 years from now may be more adequately handled than those of today.

Insistence on change, it seems to me, is no more likely to bring about the right kind of change in Latin America within predictable periods and without the grave risk of inducing other change that may not be helpful than insisting on change in the legislative apportionment system here in the United States. Here in our country we have probably two-thirds of our people who want change and they insist on change, but we don't have change. I mean, they insist at least as much as people in Latin America are insisting, because the electorate in Latin America, the masses of the people, are more inert, than we credit them with being. This "revolution of rising expectations" gives a picture which is not entirely accurate, in my opinion.

As far as the Communist takeover in Chile is concerned, yes, as I recall, Alessandri came in by a very narrow margin, something like 30,000 votes. He wouldn't have gotten that margin if it hadn't been that a renegade priest became a candidate and attracted a good deal of the radical vote away from the principal candidate of the left, Allende who lost for that reason. Of course that undoubtedly is one reason why Chile didn't want to go along completely with us in Punta del Este in expelling Cuba from the inter-American system. They were having the elections and they didn't want to create new problems with the left.

But I don't know whether Allende's election would mean that the Communists would win in Chile. I doubt it. Here again, the Communists weren't elected into office in Cuba. They have never been elected into office in any group down there. The Communists are only a small portion of Allende's following.

We are saying, during the break, that the Chileans are past masters at getting elected on a leftist platform and then governing from the right. We do that to a certain extent in our country, I know, but the Chileans do it much more. In fact, it is characteristic. It is also characteristic of Argentina. To be elected in Argentina, you've got to be elected on a leftist platform, or at least, if it is near the center it's got to be toward the left rather than toward the right.

I know Allende. Allende is the Communist candidate, as he is the candidate of all the radical left. Allende is on friendly and intimate terms with other Chilean political leaders. He is a member of Congress. He is a Senator, I believe, now. I've been with him and them in groups. They are on perfectly friendly, understanding terms. Some of them think privately, that Allende is a guarantee, because, if you have leftist opinion in a country--and you have it in all these countries--your job is to give it leadership so that if it does win out then you can help to lead it. Allende is considered by many of the Chileans as that kind of fellow, In other words, he would get in on a completely radical platform, and once he got in circumstances would compel him to go toward the right.

Here again, you can't guarantee that that will happen. You can't guarantee anything in politics in Latin America. But you can't assume either that an Allende victory would mean that the Communists would come in. In other words, the problem isn't nearly as simple as it is frequently presented to us, but neither are the prospects nearly as black as they might appear to be because we arbitrarily and finally put people in groups and in categories. It's a little more complex.

QUESTION: Mr. Ambassador, I hope I might have misunderstood one of your answers or at least that I concluded wrong. I gather that the way to find out what is good for some of these countries is to live with them for an extended period of time. Perhaps we don't have very many responsible officials who have done that. In the Alliance for Progress a prerequisite is some economic reform of some sort. It would appear that we may be heading for

something that would be the biggest fiasco of history unless we are to form the right kind of judgment as to what we do in these countries. Have I led myself astray?

AMBASSADOR BEAULAC: Well, only to a degree. As to a question of degree, I don't know, when you say the greatest fiasco in history. There have been some pretty bad ones. The danger, in my opinion, is very real. It seems to me that only by recognizing it at this stage can we avoid it. The danger is real, and hope is real, too. Only by recognizing the danger and the dangers is there any chance that the hope will be fulfilled, even in modest degree. The hope will never be fulfilled in the degree that we want it to or in the degree that the Latin American countries or their political leaders would like to see it fulfilled. Economic, social, and political evolution is just not that fast.

All of that is involved in the process. It is a complete circle, and one is dependent on the other. One thing we rarely talk about in this problem, for obvious reasons, is people. After all, there are countries where the physical environment is so inhospitable and the resources are so little that the total problem is very difficult, but in general the problem is one of people.

Look at Bolivia, for example. In Bolivia you have this topography, mountains 14,000, 15,000, or 16,000 feet high, and people are living at 15,000 feet and up. Most of the people are Indians, who are illiterate. We hope to accomplish development in a system of freedom, for example. How long is it going to take to develop those illiterate, half-starved Indians who are going to have to continue living at 15,000 feet altitude? How long is it going to take you to develop them into a community who, through a free expression of their will, are going to bring about the kind of reforms, economic, political, and so forth, that Bolivia is going to require in order to have the kind of system that we think, in justice, Bolivia should have? Well, it won't be for the next 50 years, and it won't be for the next 75 years.

On the other hand, if Bolivia were inhabited by Swiss you would have ski resorts there, you would have hotels, and you would have a wonderful tourist industry, and you would have watch factories and everything else. You would have a fine economy there in a few years.

So this fact of people is basic to the whole problem. We do not go out and say, "Well, gosh, there are certainly limits to what we can do in your country because you are not the right kind of people." But among ourselves we don't have to kid ourselves. When I say 'kid ourselves' I mean, the fact of people is one factor that must be constantly in mind in connection with any program we have.

MR. HILL: Mr. Ambassador, on behalf of the Commandant, the faculty, the students, and especially those of us who are working on Latin America, we have an obligation to thank you for a most profitable speech and for a great deal of skill and patience in answering and dealing with questions. Thank you very much.

(15 August 1962--5,600)O/en:dm