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The Outlook in the Latin-American Countries  
by  
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Colonel Jordan, Gentlemen -

I feel rather humble after that introduction, and I thank you for all the kind words you have said.

I am particularly glad to be here this morning to talk to you because I feel that it is very necessary that all the departments of our Government work together, and particularly because I feel that in the Department of Commerce we have a department that should be very closely in touch with our Army and our Navy, and vice versa. I do not need to go into the old question which you all know of - the fact that modern wars are economic and that the economics of the situation and many other things take place besides the actual fighting on the field. You all know that.

But our job this morning is to talk about Latin America and so without any preliminaries I will go right into the subject. I should like to say that I am talking off the record; I am talking extemporaneously; consequently, if there are any of you who want to interrupt at any time with a question, please feel free to do so while we are on the subject in question.

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As an overall picture, what we call Latin America includes the twenty republics which lie, roughly, south of the Rio Grande River - Mexico is the northern end and Cape Horn is the southern end. These twenty republics take in about fifty per cent of the land surface of the earth. They have about six one-half per cent of the population. The statistics vary from one hundred twenty-five to one hundred thirty million. For comparison sake, you might say this: that what we call Latin America has about the same proportion of the population of the world (we assume that the population of the world is about two billion seventy-seven million) as the United States; they have under their control approximately twice the proportion of this earth's surface as the United States. We have just about six one-half per cent of the world's people and they have six one-half per cent of the world's people, but they have a little more than twice the area that we have. That area of the earth's surface is largely in the tropical zone. From the northern border of Mexico down to Cape Horn there is not much ordinary agricultural land. There is quite an area in the southern part of Brazil and there is a large area in Argentina, perhaps roughly an oval six hundred miles long and four hundred miles wide, which is splendid farming land.

While there are twenty of those republics, half of the area lies in one country - Brazil - which has an area a little larger than our own United States and a population roughly estimated at from thirty-five to forty-seven million. Statistics of population

are not very accurate; they are estimates.

The mining resources of that area, however, probably do form a pretty good economic unit; taken with the United States they form almost a perfect economic unit. The fact that that territory lies largely in tropical countries has hitherto been a bar to its settlement but probably will not be so much of a bar in the future.

I think we will get a better grasp of what the population means if I speak in generalities which are correct but disallow variations for the moment. You will understand and grasp the situation with regard to population if you start with the basis that all of this territory was originally populated with Indians; that at the time when the white man came to it they were probably in a static state of population; and that due to wars and due to the primitive mode of life the country would just about support that many Indians. They had been there for we do not know how many centuries. The Spaniards came first. The Spaniards dealt principally in two lines: agriculture and mining. They opened up a certain number of mines, and they engaged in agricultural pursuits. The country is settled up primarily with Latin blood.

Following, however, and very much later, other nationalities came in. The Germans and the British came, and they developed all of what we might call the woof and web of modern civilization, what we might call the machine age with its impact on Latin America. They established railroads, telephones, telegraphs, industrial plants (manufacturing and industry of all kinds) and they also

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developed the mines, the oil wells and the natural resources of every kind. The significant fact about all that is that the wealth of all these lands has practically been developed by the foreigner. A foreigner has taken the wealth out of the country but he has also developed the wealth. About a hundred years ago, over a hundred, you will perhaps remember that Humbolt visited Mexico, and he likened Mexico to a beggar sitting on a sack of gold. There was a good deal of truth in that. The foreigner came in and opened up the sack, but it is true that the sack did belong to the beggar. It belonged to the man who was there first - he had it. That is a fact that we must face in our consideration of a modern day problem with regard to all of these countries. They were there first. They had the right of possession, but the industry was developed and is developed today largely by foreigners.

In the development of that industry and in the problems which arise there was no particular conflict of interests. Foreign capital was welcomed and has been welcomed perhaps generally speaking up until after the World War, perhaps until recently. Of recent times there has been a feeling that the nationals are entitled to the resources and the wealth of the country. We have seen the same wave of nationalism, which has spread all over the world, also affect all of our neighbors to the south. They feel that it is not quite fair that all of this wealth should be developed by the foreigners, should be taken out of the country, should be not utilized. So they started, as all the rest of us started, putting

up a tariff wall; and then the natural results followed. Behind those tariff walls the importers from all lands, ours included, found that they could not export any more to these countries, so the next step, which follows logically, was that they established branch factories. When they established branch factories in these countries, the countries developed and went ahead for a time, but immediately the question of nationalism arose again.

We find in most of these countries, the capital being foreign and the labor native, that to the usual difficulties between labor and capital, is added the additional difficulty of a foreigner owning the capital and a native being the laborer. Labor difficulties are somewhat accentuated. We find a constant tendency to increase taxation. We find, in spite of all of these things, however, that our trade and our commerce with Latin America has been, generally speaking, improving.

What is our stake in Latin America generally from the purely material side? Investments. They are about four one-half billion. The latest figures which were given me by my Bureau just before I came up I believe are four billion four hundred thirty-four million dollars worth. Those investments are scattered pretty evenly throughout Latin America. They consist of two forms of investments: one is the direct investments, which means investments of private individuals in the country: in factories, in railroads, in public utilities, and in distributing businesses, stores, etc.; the other is the indirect obligations of the governments. The

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governments do not owe anything to the United States Government as from one government to another. All of the government loans which are floated in Latin America are floated with private subscriptions; that is, they are not loaned to the government but are floated in the ordinary way as a bond which is floated and subscribed by the public. Our investments are of those two kinds.

Soon after the war difficulties arose with regard to exports. Exchange control came into being in most all of those countries, is still in force in a great many of them, and in that question of exchange control we have not, generally speaking, fared quite as well as some of our competitors. Perhaps the reason for that is because we do not have any exchange control in this country. We do not have any control over our own exchange. We do not do anything in the way of a reciprocity in that respect.

Germany is our leading competitor in the question of using exchange control, through what is known as compensation marks, to advance her interests in Latin America. Leaving out of account a great many of the technicalities of a case, the control of foreign trade exports and imports by means of exchange control finally boils down to this: that the tax payers provide the money which is given as a bonus to the exporter in order that he may sell to a certain country and thereby provide a means of exchange whereby the nation as a whole can buy what it wants in those countries. As long as that is done by certain of our competitors in Europe and we can not do it, there is really nothing much that we can do about it.

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We have heard a great deal of talk about the great advance of Germany as a competitor in Latin America, but I have the statistics for last year and they are, in fact, rather to our advantage. I will just read them to you. Comparing 1937 with 1936, our United States imports from Latin America increased thirty-four per cent; Great Britain twenty per cent; Germany fifty-eight per cent, and Japan thirty-four per cent. That is on the import side - the exports from Latin America to these different countries. In other words, we bought from Latin America thirty-four per cent more in '37 than we did in '36; Great Britain bought twenty per cent more; Germany fifty-eight per cent more; and Japan thirty-four per cent more. On the selling side, we sold to Latin America forty-six per cent more in '37 than we did in '36; Great Britain sold thirty-one per cent more; Germany sold twenty-eight per cent more (27.9 to be exact), and Japan sold fifty-two per cent more. We increased our sales to Latin America more than any of our chief competitors in 1937. The figures, of course, mean more than that, because we are both the big buyer and seller to Latin America. In other words, our trade with Latin America is larger than that of any other nation as a whole. There are a few nations and there have been a few cases where Germany has exceeded our exports, as she did to Brazil last year. But on the whole, take our exports for comparison, (I will read only the millions) our exports to Latin America last year were five hundred seventy-eight million; Great Britain two hundred twelve million; Germany two hundred sixty-two million; and Japan forty-three

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million. The percentage figures do not really mean a great deal because we sold five hundred seventy-eight million; Japan sold forty-three million; Great Britain sold two hundred twelve million, and Germany sold two hundred sixty-two million. You will see that our greatest competitor only sold about half as much to Latin America as a whole as we did last year. On the buying side, we are also the big buyer from Latin America. We bought six hundred seventy-two million; Great Britain bought five hundred six million; Germany bought three hundred forty-one million; and Japan bought fifty-two million. We bought considerably more than Great Britain, but the figures on the buying side are not nearly as big as the figures on the selling side; that is, we do not exceed Great Britain nearly as much because they sold to Latin America two hundred twelve million as against our five hundred seventy-eight million, whereas we bought six hundred seventy-two million as against their five hundred six million. In other words, to get the picture clear, the Latin-American countries produce raw material and foodstuffs and they export, generally speaking, more than they buy from all countries, and that is particularly true when the tide of business is rising. We always buy more from Latin America than we sell. That has been true for a great many years. In times when there is a rising tide of prosperity in this country, our purchases from Latin America increase, for the simple reason that if the paint manufacturer sees a market for paint in the offing he immediately goes to the linseed mills and says "I am going to need some more linseed oil". They send orders down to

Argentina, which is our chief supplier of linseed, and say "We need some more linseed," and the market for linseed pops up. We had a drought in '34 and '35 in this country, so the imports of corn, foodstuffs, and feedstuffs increased greatly - our imports increased. There were two reasons for this increase last year. One was the drought in this country and the other the general increase in business, which caused us to purchase raw material. On that raw material side, wool, hides, linseed, and extract, which is used for tanning, tin, copper, and Manganese from Brazil, are the principal imports from those countries; aside from foodstuffs, which means coffee, bananas, and tropical fruits generally.

We find as a factor of our trade with Latin America this general movement; that due to the things which I spoke of a moment ago, the fact that first you establish branch factories behind a tariff wall and then the manufacturing takes place in the country, our trade is gradually shifting over from what is called consumer goods; that is, goods that are intended for immediate human consumption, to producer goods. In other words, we used to export to Mexico a great many boots and shoes. We ceased that long ago. They put in shoe factories all throughout Mexico and now the United Shoe Machinery Exports the shoe machinery; we export typewriters and typewriter supplies, etc., and establish a payroll. While we cease to export in the one commodity, the total exports do not diminish. In Argentina the same is true. We used to export refrigerators - we do not any more. We export the parts. They are even beginning to

manufacture the parts. It is the same with the radio. We used to export complete radio receivers, now we export only the chassis, and at present they are combining and making the chassis. It is a process that goes on. We now are increasing the exportation of machine tools and machines to make machines to make other machines to make the finished product which the people consume. We used to export cotton yarns and textiles. The last three or four years we have been sending textile machinery down there; a whole textile mill moves from New England down to Argentina and establishes a textile factory there. Our total trade does not diminish, mind you, but its character changes, and that is the changing character.

Coming back to what I started with again, the deep and to me very interesting process which is going on with the development of nationalism, the problem immediately concerns, and it appears that gradually we are going to be not frozen out but perhaps taken over or change to nationalism, whether the native population can absorb the impact of the machine age. Throughout Latin America generally the same psychology and the same status of culture prevails which prevailed in the old-time South. That is, the mother did not think of her boy as being a great industrialist or a great engineer or a great chemist but she thought of him as being a great teacher, a great preacher, a lawyer, a doctor, or a great artist, but not an industrialist nor a civil engineer. That attitude is all through Latin America.

It is rather interesting to know that with rather rare

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exceptions really the people who import and distribute our American merchandise throughout all of Latin America are neither Americans nor Latin Americans in the sense that they are not natives of the country. They are German, British, French, Italian, Chinese, Syrian, Liberian, but they are not Americans. So the distribution of our goods is not in the hands of either the same nationality as the consumer or the same nationality as the exporter, which is a rather interesting thing to be reckoned with in the development of our relations. In other words, if we want to export any commodity down there we sell it probably to a British house. I know of one British house in Buenos Aires which had ninety-six different lines of representation of American goods when I was there three years ago; another one had forty-eight; another one had thirty-two, etc. They are interested in selling to the Argentine. When we advertise we must advertise to the ultimate consumer but we sell through a foreigner who belongs to neither nation, and that holds generally good from the Rio Grande to Cape Horn. That is one of the most interesting features of the distribution of our goods in those countries.

Coming back to the question of our future, and I am speaking to you rather in broad terms and looking perhaps to a future even when you and I will no longer exist, what does that trend mean? It means in the long run that the nations which are primarily perhaps Indian in their origin, with a mixture of Spanish, will have to carry the ball. They will have to become scientific minded, machine minded; if you will, industrially minded, if they are going to carry

forward the civilization of the machine age, and the great problem is: will they be able to do it? The character of that population varies a great deal. Mexico, perhaps, is the country in which there is the largest percentage of Indian blood. About sixty per cent of the population of Mexico is pure Indian and the other forty per cent is an admixture which ranges from very thin to almost pure Spanish. In Argentina, on the other hand, there is practically no Indian blood. Argentina was settled up, as the United States was settled, by white men from Europe. They were mostly Spaniards and Italians. They did not intermarry with the Indian. They pushed the Indian back and back so that we have a race of European civilization there with little admixture of the Indian. The other nationalities vary in between.

Generally speaking, the problem of the future will be: can they adopt a strong nationalism, develop within themselves, keep pace with the world, and adapt the machine age to their own civilization?

I think I have talked long enough now. If there are any questions you want to ask me I would be very glad to see if I can answer them.

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Colonel Jordan: Doctor, I would like to ask a question. Is the production of cotton in South America increasing by leaps and bounds? In other words, is that to be something that our people in the South have got to combat?

A. The production of cotton in Brazil, particularly, is

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increasing. I would put it this way: the production of cotton in the South is, I believe, this year about eighteen million bales, is it not?

Colonel Jordan: Yes sir.

A. The production in Brazil is calculated at about a million two hundred fifty thousand bales; or roughly one-eighteenth of our production. It is increasing. The production of cotton is increasing in Argentina likewise. It is not the production of Brazil alone because obviously if she doubled her production she would still not produce much more than one-sixth or one-seventh of what we produce, but it is the increase in production in Peru, in Brazil, in Argentina, in Egypt, in India, in China, and all over the world which is of considerable volume. The cotton crop in Brazil is reported this year to be the largest in her history. The cotton crop in Argentina, on the other hand, is nearly a failure; that is, it will amount to only about one-third of what it was last year, or about eighty thousand bales as against two hundred forty thousand. But it is increasing, and we face the problem that with a lower wage scale and a lower standard of living they can produce cotton cheaper than we can produce it in the South. There are also unknown factors in that. There is a possibility of the development of a mechanical cotton picker. You know that the

Brothers have developed a machine for cotton picking.

There are also other machines that are possibilities. So far those have not come into the realm of commercial production, but this factor faces us: if the mechanical cotton picker can be introduced into the South and greatly reduce the cost of production of cotton it might put our cotton market back on the map but it might also throw out

of work about three million people in the South, which is a considerable economic problem for ourselves. There is also this problem: that the mechanical cotton picker might also be introduced into the foreign countries. We do know that one of these mechanical cotton pickers has been taken over to Russia; experimentation is being made in South Russia with the same mechanical cotton picker, and we also know that one has gone down to the Argentine. That is the problem; I think you have the factors.

Colonel Jordan: There is one other thing I would like to ask about Brazil: Have we colonies of Italians and Germans in Brazil that are going to be something that we have got to consider?

A. Yes, there are quite considerable colonies of Germans in Brazil, as there are in practically all other countries; and we find, gentlemen; and I am speaking quite freely, frankly, in confidence, and off the record as I believe you are entitled to know, that starting back with an original difficulty the average American does not go into a Latin American country to become a citizen, marry, and settle down. We find that the Germans, the French, and to a certain extent the British, do. We find this difficulty facing us in Argentina, and to some extent in Brazil, right at the present time; that German engineers who have been long in the country, and there are enough of them to form an engineering society, belong to engineering circles. They have just started in Argentina. They are what we might call a standard institute to establish standards of engineering. Due to the influence of

Germans, particularly, being members of those societies, we are somewhat troubled for fear that they will set up standards of engineering specifications which will exclude our material. I might say that we are working with the American Standards Association on that problem and also with our industry, but we are handicapped by the fact that we have no engineers, I know personally of only two engineers, in the entire colony in Buenos Aires who could take care of that, and they are very much interested in it; they are prominent men and they are working for it. But we do have that handicap. We have the same handicap in Mexico, in Brazil, and in Latin America generally: that our people are not quite as closely related to the country as other nations. Does that answer the question?

Colonel Jordan: Yes sir.

Q. Doctor, I would like to hear something about the Japanese stake in Latin America - the present state of affairs there, and, if you care to, something about their future state?

A. There are about three thousand Japanese in Brazil, perhaps a few hundred in Argentina, and they are scattered. There are quite a few in Mexico - how many I do not remember at the present time. As far as Brazil is concerned, they did welcome Japanese immigration until they got about three thousand of them in and then they said: "No more. We do not want any more of them." They locked them out; and, generally speaking, Japanese immigration is not welcome. By the way, one point that I should have mentioned in getting the general picture is that no where in Latin America is any

immigration of any nationality welcome any more. We find that in establishing our own plants, our American branch factories, in Mexico or in Argentina or wherever you like, that practically from the beginning you could not export labor. You have to hire the labor locally. You can not even hire the higher ups; the boss foremen in the mines or the superintendents. They are insisting, generally speaking, that employees of the company, in some cases from the general manager on down, must be natives of the country. In other words, you are not welcome anywhere in the world today except as a paying guest. If you come in and pay your own way you are welcome but if you come in and compete, not only in manual labor but even in intellectual pursuits, you are not welcome. The Japanese, of course, are shut out just the same as all the rest of us of other nationalities on that account; so there is no question, in my opinion, of any further Japanese immigration into those countries. Even with Japanese trade growing (I just quoted you the figures a while ago which showed that their exports increased about the same proportion as ours but of course in volume they are considerably less than ten per cent of ours - I had the figures here a minute ago) in point of volume their trade does not amount to much. On imports from Latin America, in '37 the Japanese bought fifty-two million as compared to thirty-eight million the year before. They sold forty-three million as compared to twenty-eight million. Compared with those figures, last year the Japs sold fifty-two million to Latin America and we sold six hundred seventy-two million; so you see the competition is not of any serious import. They are buying more.

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Their trade is growing, but starting from such a small percentage of the total trade it has not yet anywhere near reached the place where it is of any real significance.

Q. What will happen if Latin America does not adapt itself to the machine age?

A. That is a very profound question. I am inclined to say, half flippantly, that they will wear feathers, but it is a problem. I do not believe that any part of the world can survive unless it does adopt the machine age. I think I can answer your question that way. I think they must become machine minded if they are to survive, or else they must admit the influx of other nations who will form part of their own nation and do what we did in our development: let the foreigner come in, become part of the nation, and develop a machine mindedness that will carry forward to the civilization of the world. That is about as near an answer as I can give to your question.

Colonel Riefkehl: Doctor, is there any real danger of South American competition in our field of agriculture, particularly in the production of grains?

A. Yes, there is, in this way: Argentina, of course, is the one big grain-producing country of the South, and the southern part of Brazil is the next. Aside from that, I see no areas that could ever seriously affect the production and exportation of grain. Argentina has an area, as I have said, roughly of an oval about six hundred miles long and four hundred miles wide, which is a very fine grain producing country, and she produces grain much cheaper than we

do and can even export grain to us at times when we are down, but so far she has found a market in Europe. We had not been in the export market for wheat for a number of years until just this past year, when we have begun to export wheat again. The previous year we even imported some wheat from Argentina. I will put it this way: There is a duty of twenty-five cents a bushel on corn. We calculate that whenever the price of corn reaches seventy-two cents in Chicago that it will pay to import it from the Argentine, provided the price will hold up there long enough to get it here. At a given moment about three years ago when I investigated that matter, the price of corn in Argentina was thirty-three cents a bushel. Adding the duty of twenty-five cents a bushel and the freight, at that moment it would have been possible to introduce corn into Chicago. Generally speaking, the picture is that they will produce but the total Latin-American area is not a grain-producing area in spite of its tremendous expanse. It produces tropical foodstuffs and other supplies but not grain. However, in the parts where it does produce grain it produces it much cheaper than we can; therefore, if they could supply the entire world market they would supply it and we would not export any grain, but they do not grow enough to supply the world and we do export our surplus.

Q. I would like to ask what the reaction of Latin America is to the Monroe Doctrine and whether or not if we got into any difficulties we could expect them to support us?

A. In my opinion, the Monroe Doctrine is not clearly understood in Latin America, and I doubt whether it is clearly understood

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in this country. As we understand the Monroe Doctrine, it was a notice to foreign powers that for our own individual protection of the United States we would not permit any colonizing or permanent foothold of foreign countries in Latin America. It was established without reference to what attitude the Latin-American countries might or might not take. It was established as a unilateral decision on our own part for our own protection. It was not established to protect the Latin-American countries from anybody; it was established to protect ourselves, as a self-protection measure. Of course, due to propaganda and due to history (I say due to history because if you look back you will see that the United States has increased its territory by taking territory from Latin America - The Florida cession in 1819, the Louisiana Purchase which followed a little later, the Gadsden Purchase in 1845, Puerto Rico, etc.; with the exception of Alaska and possibly Guam and Hawaii, our only accretions of territory have been at the expense of Latin America) there has grown up in Latin America the tradition of the colossus of the North which is sweeping ever onward eating up territory, and they conceive, through false propaganda in some cases, the idea that the Monroe Doctrine is a doctrine which says to the other nations: "Hands off of this area of the earth so we can take it for ourselves." Of course, that is not correct. I believe that the enlightened statesmen of Latin America are coming, as they never have before, to a true appreciation of the proper concept, which I stated first, of the Monroe Doctrine, and I do not believe that you will find throughout Latin America at the present

moment any apprehension or any particular fear of that. They are not very much interested in it.

Q. You spoke of the practice of granting bonuses to exporters. Is it possible to say what the ultimate effect on a particular country of granting bonuses to the exporters is?

A. Do you mean in regard to Germany, for instance, through her exchange compensation marks, the so-called marks?

Q. Yes sir.

A. The result is that they can sell cheaper on that account because they get a bonus from the government which is taken off the price, and of course the goods flow in more easily. If a man who is exporting can get a special rate of exchange, the difference in the world rate being made up by the government from taxpayers' money, he can of course sell his goods at a lower price and still make money and he gets his goods into the foreign country. That is done on the hypothesis that the nation as a whole needs the particular products from that country and it can take that general contribution from the total wheel, or the total pot of money which the nation possesses so to speak, and dedicate it to the purpose of getting what they want, from the nationalistic standpoint rather than from the standpoint of the individual producer. It does form a very serious handicap against our exporters wherever that is practiced.

Q. Yes sir, I can see that very easily, but is it not a comparatively new practice? Is it possible? The money has to come from somewhere. Is it possible to say what the final effect will be?

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A. Not yet because it is comparatively new. It has all grown up since the war and so far that deficit has been able to be absorbed by public financing, the floating of bond issues, taxes, etc. What the ultimate end will be of that process I do not know. That brings up the question as to how far we are moving in the world toward the totalitarian state and whether the totalitarian state is the ultimate aim of nations and the solution, etc., but it is a totalitarian movement, undoubtedly.

Q. It is something that is essentially different from building up the tariff wall and dumping outside of the country?

A. It is essentially different, yes. It is essentially different from building up a tariff wall because a tariff wall is a barrier to the individual sometimes. Sometimes if the tariff is widely enough distributed and there is enough demand it is not. A tariff is a contribution by the individual to the general pot, the general welfare. The individual puts so much in the kitty for the sake of being allowed to buy that article. That amount that is put into the pot is divided then among all the people, theoretically. That is a tariff, whereas a subsidy is a general help taken from the public funds and given to individuals in order to enable them to sell their goods at a lower price than ordinarily they would be able to and still make a profit. It is the reverse, in a way, of a tariff wall.

Q. Is there any other country practicing that bonus to any considerable extent successfully?

A. Yes, there are quite a number of countries that are

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practicing it at the present time in the sense that they are controlling exchange and giving special exchange facilities to exporters. I mentioned Germany because Germany is the most well known, but there are other countries doing it just the same.

Q. Are these national antagonisms and prejudices any more pronounced toward Americans than toward other foreigners?

A. No, I think not. My experience of living for some sixteen years in Latin America causes me to answer that immediately. I have often thought of that question. I have lived among them. It varies some with times. Human passions are swayed so much by what might be happening for the moment that it is hard to say at any given moment. This is a little incident that will illustrate that. I was Commercial Attache at Buenos Aires from 1927 to 1935. You will remember that in 1928 or 1929 the Sacco-Venzeti trial came up. Probably forty per cent of the population of Argentina is of Italian extraction; a good deal of it, under the circumstances, naturally is antagonistic to capital. One of the popular papers there conceived the idea that they would make a good deal of capital for themselves out of the incident so they published screaming headlines of the barbarousness of the North and posted Sacco in a chair with a prominent actor; also Venzeti, etc. They followed a tremendous campaign of pointing out what terrible people the people of the North were and how they were treating these two martyrs. The result was that they created a very strong anti-American sentiment, in a way. They bombed the statue of Washington in the park; they bombed several Ford plants; they put a

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bomb in the First National Bank of Boston, where our offices were, on the fourth floor - it was a dud, did not explode. They did explode one in the National City Bank, which injured twenty-eight people and killed two. There were fifteen or sixteen bomb explosions and outrages, but I also noticed that that same year our export trade to Argentina increased twenty-seven per cent, so it did not seem to have much effect on trade. The thinking people of the country, I do not think, had any less kindly feelings toward America. I give you that just to show how at a given moment propaganda can sway a populus. However, it passes, it is temporary. At the present moment I do not think that throughout Latin America Americans are less thought of or less kindly disposed toward than any other nationality.

Colonel Jordan: Doctor Dye, would you please say something about tin? Are we going to be able to get a supply of tin from South America if we need it?

A. At the moment, Colonel, the tin market is very much depressed and nobody wants to buy what Bolivia has to sell. She is worrying because she can not find a market for her tin at the present time.

Colonel Jordan: Is Bolivia the only source that we can possibly count on?

A. It is the only source we can count on except the Malay Straits. The only source in Latin America that we can count on is Bolivia. It is true that we import all our tin; and, particularly to the Army, I do not need to tell you how important tin is, how much

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you have

got to live out of tin cans unless human ingenuity finds some other container that will do just as well. We do depend on those two sources of supply for our tin, of which, if I remember rightly, the big bulk comes from the Malay Strait settlement and a smaller proportion, I am sure (I have the exact figures - could get them from my Bureau, but I do not remember them offhand) comes from Bolivia. We are dependent on those sources of supply for our tin.

Q. What is the status of the rubber plantation of the Ford Motor Company in Brazil?

A. I do not know, except that they are not exporting any rubber from there at the moment that amounts to anything commercially. The rubber situation is very interesting. It is a question at the present moment entirely of commercialism. I mean by that this: You will remember that in 1926 Congress appropriated a half million dollars to try to find some source of rubber in the western hemisphere. I myself headed an expedition that went down into tropical Mexico and northern Guatemala to see if we could find sources of rubber. The general purpose of my report was that within that area alone enough rubber could be grown to support the United States as far as we could see in the future, let alone the vast areas that lie to the south of that all the way down to southern Brazil. Rubber can be grown. Of course, the para rubber originally came from Brazil; a few seeds were smuggled out and then the Malay rubber plantations were started; but so far the difficulties have been these: that in all of Latin America where rubber can be produced it can not compete commercially with the Malay Strait rubber plantations for the simple reason that, as I

found specifically in Mexico in 1926, the lowest labor cost that could possibly be gotten there was seventy-five cents a day and at that moment the labor cost in the Malay Strait settlement was thirty-six cents a day. In time of stress, in time of emergency, ignoring the economic factors, Brazil alone could produce vast quantities of rubber, and so could it be produced all through Latin America. Whether or not Ford's particular experiment is going to succeed and make money, I do not know.

Colonel Jordant: Captain Allen, would you care to make any remark, sir?

Captain Allen: Thank you, Colonel. I have listened with a great deal of pleasure to Doctor Dye's talk, particularly the influence of Italy in South America, which seems to be a very important feature at the present time.

Colonel Best: May I ask about trade agreements, Doctor?

A. Yes, you may ask about anything you like. I do not know whether I can answer or not.

Colonel Best: When we make an agreement with Brazil to permit two hundred million dollars worth of coffee to come into this country, do we ask Brazil to buy a similar amount from us?

A. No.

Colonel Best: In other words, we throw our markets wide open to them and they have a limited market down there to us?

A. That is correct. In the first place, there has never been any duty on coffee. I think what is in your mind is this: why

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do we not, being a principal buyer and the world's best market for Brazil for her coffee; buying more than any other nation, in vulgar parlance, put the screws on and make them come across with an agreement to buy our stuff? The reason is this: that while we might have some advantage in Brazil, generally speaking we would suffer from it throughout the rest of the countries. We are insisting very strongly on the most favored nation principle in making our trade agreements; that is, whatever advantage we get shall also be open to other nations that have a most favored nation treaty clause. I suppose you know, and I do not need to tell you, that what we mean by the most favored nation is that whatever treatment the most favored nation gets we get also. That is the basis of the most favored nation clause. If we are going to keep that principle open in all of our other trade agreements, and it is vital that we do keep it open, we can not insist on Brazil giving us a special preference because then we abandon the entire principle. I will put it this way: When we made the trade agreement with Belgium we fixed a maximum duty on automobiles at four thousand Belgium francs, but the most favored nation clause said: "If she reduces the duty below that to any other country she has got to reduce it to us." She did, shortly thereafter, reduce the duty on automobiles to France, and automatically our duty was reduced likewise. If it had not been we would have been shut out of that market. If you do not put that clause in you do not get anywhere because all any nation has to do is turn around, reduce the duty below what we fix in our trade agreement, and we are right back where we started. That

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is why in Brazil we do not insist and did not insist on any special preference but left it on the ground of the most favored nation clause and open competition. Does that answer your question?

Colonel Best: Yes sir.

Captain Allen: Is Germany doing practically that thing right now in their treaty with the countries down there?

A. Oh yes. They have certainly not adopted the most favored nation clause and they are making special compensation agreements all over the map. That is perfectly true. They are not adhering to that principle. As a matter of fact, because of that fact Germany is excluded definitely by law from our own favored nation agreement. She does not benefit by it because of that fact.

Q. Do we have a most favored nation treaty with Austria? If so, what is the effect to be now? I believe Germany is on the blacklist. Why couldn't they ship to us through Austria?

A. No, we do not have a trade agreement with Austria, but Austria does participate in the most favored nation clause because we do have a most favored nation agreement with Austria. What will be the result of what has happened in the last few days you will have to ask the State Department, or maybe you will hear at 1:30 today when Secretary Hill makes his speech before the National Press Club. I can not answer that.

Colonel Jordant: Doctor Dye, I want to express the appreciation of the College for this talk, sir. It has been perfectly fine of you to come down here and address us. Thank you.

Doctor Dye: I am certainly glad to do it, Colonel.