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DEPARTMENT OF STATE
Counselor and Chairman
Policy Planning Council
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November 29, 1965

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Alliance for Progress at Rio

It may be useful to put briefly on paper what happened to the Alliance for Progress at Rio.

1. In responding to your contingent offer of assistance beyond 1971 and preparing to write the Alliance for Progress into the OAS Charter, it was necessary to acknowledge that the Hemisphere did not consist of a rich U.S.A. and an "under-developed" Latin America: it consists of a group of countries at different stages of development -- from, say, Bolivia at \$159 GNP per capita; through Peru and a good many others around \$250; Mexico at over \$400, to Argentina at \$500 and Venezuela at \$725.

2. From this agreed perception flowed directly a concept of mutual assistance as opposed to, simply, U.S. assistance to Latin America. The commitment embedded in the Act of Rio is that we are all committed to help those less developed until the whole Hemisphere has attained self-sustained growth -- that is, growth that can proceed without significant concessional aid.

3. This concept immediately affected the vocabulary used in the committee meetings. "Mutual Aid" now includes assistance from the Inter-American Bank and the U.S.A. "External Aid" includes assistance from the World Bank, the IMF, Europe, Japan, etc. The fact that others in the Hemisphere aside from the U.S.A. may be involved in "mutual aid"

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began immediately to make some of the more advanced Latin American countries cautious and sober in setting out the terms for this kind of assistance since they, too, may soon be involved.

4. The major effect, however, is to make the whole mutual assistance relationship within the Hemisphere more dignified than it would be if the Latin Americans were simply negotiating against us for aid advantages, while we had to spend our time negotiating against them for self-help commitments.

5. It is clear that we cannot soon expect from the more advanced Latin American countries large, soft loans to the less developed countries. But right now there are real possibilities, for example, of medium term loans from Mexico to Central America; suppliers' credits from Brazil to Bolivia and Paraguay; Argentina can contribute both substantial technical assistance and suppliers' credits; Chile ought, at least, to begin substantial technical assistance given its high educational level; Venezuela, with its ample foreign exchange position, ought to use a part of its resources for medium term loans to other Latin American countries, notably in support of intraregional trade; etc.

6. Without pressing these countries for more than they can now handle, it is extremely important that, in the months ahead, we encourage as many of the more advanced Latin American countries to take steps in these directions as is possible. The number of cases of such mutual help is more important, at the moment, than the scale; because our objective should be to nail down the principle, not merely to strengthen our hand in the Congress and with the public here at home, but also to dramatize within the Hemisphere the change in the inter-American system brought about at Rio.

7. The concept is capable of application in other regions. The first candidate should be Asia. There, of course, we already have Japan as a contributor; but Taiwan, for example, might begin suppliers' credits and technical assistance; India and Pakistan can afford technical assistance, as can, even, South Korea. This process ought to be set in motion as soon as we get the Asian Development Bank on its feet. It might be a good follow-on job for Eugene Black.

W. W. Rostow

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