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"THE BUSINESS OF DEVELOPMENT"

ADDRESS BY
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FOR INTER-AMERICAN AFFAIRS AND
U.S. COORDINATOR, ALLIANCE FOR PROGRESS,
LUNCHEON MEETING OF THE COUNCIL FOR LATIN AMERICA
HOTEL DRAKE, CHICAGO, ILLINOIS
WEDNESDAY, SEPTEMBER 13, 1967

Gentlemen:

It is a great pleasure to be with you today in this great Heartland of industry and commerce.

I am delighted to have this opportunity to pay tribute to a figure of rising eminence and growing importance in this hemisphere: the modern business leader, as represented in this room, and every day increasingly in the developing countries of the Western Hemisphere.

You who have done business in Latin America for years know far better than I the history -- and the potential -- of U.S. investments and partnerships among our neighboring

nations to the south. We all recognize that our private sector relationships have been generally of mutual benefit -- providing needed capital, jobs and benefits to many thousands of workers as well as returning profits to the investor and aiding the transfer of modern managerial skills to Latin Americans.

But we recognize with equal clarity that, fair or not, even today many Latin Americans still associate foreign investment with such concepts as "exploitation" or "imperialism," rather than partnership or local benefit. The Council for Latin America recognizes this problem and is doing something about it.

So in representation of our Government, I salute the prototype American business man of today and tomorrow, who is proving to the world that good corporate citizenship, and real service to the local community and to the host country, are not only moral obligations, but good business as well. And because this modern style of doing business abroad is a growing phenomenon, especially in Latin America, I believe that private capital -- so necessary for development -- will be increasingly welcome in our neighbor nations.

What happens in Latin America during the next few years will be crucial to all of us -- in government, in business, in whatever walk of life. I should like to take the next few minutes to review with you the scene in our hemisphere today, as we begin the seventh year of the Alliance for Progress, and to offer some comments as to the future.

Already, 1967 has been a notable year in inter-American affairs. The most significant single event, of course, was the Summit meeting of American Presidents at Punta del Este in April. Why so significant? For at least two main reasons: First, because thanks to thorough preparation, the Presidents made decisions and recommendations that unquestionably changed the course of development in this hemisphere. And secondly, it was especially important because at that meeting the fundamental spirit of the Alliance came into its own: the spirit of "self-help." Self-help is known to be basic, psychologically, politically and economically, to development assistance. At the Summit there was strong, new evidence of the recognition by the Latin American leaders that the future of their peoples lies primarily in Latin American hands. This is not mere rhetoric; this self-help determination is real, and the attitudes it symbolizes, the

potential for motivation it contains, are more significant than any figures I could cite to you today.

The next question is, "what progress has been made since the Summit?"

Here in the United States, we have seen some gains and some setbacks. The President already is making good his promises made to colleagues at the Summit that lie within Executive authority. Where feasible, under existing legislative authority, we have sought to increase Alliance for Progress programs in agriculture, science and technology, education and health. The Congress has granted the President's request for 20 percent higher support to the Inter-American Development Bank, from \$250 to \$300 million a year for three years. At the same time, Latin American contributions to the Bank have been stepped up even more significantly.

Despite these positive developments, the recent cuts made by both the Senate and the House in the foreign aid bill "hit" (as headline writers put it) the Alliance for Progress, though Alliance programs were not cut so much as other assistance programs. There continues to be widespread public support especially for the Alliance, as is shown by editorials I have seen from across the nation. One

can readily understand the mood for economy of the Congress, concerned as they have to be by expenditures for our country's obligations abroad and at home. But I believe that the enduring quality of the foreign aid program, and particularly the Alliance for Progress, will over time continue to be recognized by our citizenry, and I am hopeful that in the appropriation stage of legislation this year the program might be spared further cuts.

There are a few in this country, and (alas) more in Latin America, who say that these Congressional actions represent a kind of national pulling-back, a neo-isolationism. I doubt this. And if you will pardon a somewhat professorial afterthought, let me point out that even in its heyday, the old isolationism did not apply to our Western Hemisphere neighborhood.

So we who believe in the Alliance for Progress have only one course: as the President said the other day, "we will persevere." We will keep on trying, because we know the Alliance is in the vital interests of this nation and of the whole neighborhood.

While these cuts in U.S. funding have hurt, their greatest damage is perhaps to the spirit, rather than to the achievements, of the Alliance. To many thoughtful Latin

Americans, for example, the rescission of the multi-year authorization is seen as more damaging than the loss of assistance funds. Knowing that authorizations do not automatically bring appropriations -- (How well that is known!) -- they ask "why"? For they know that progress within the Alliance depends not so much upon outside tangible assistance as upon the confidence and verve of Latin Americans themselves.

As to self-help our friends in the south have made a good record, and it is getting better. Let me give you two examples:

One is in domestic savings. At the birth of the Alliance, it was expected that some 80 per cent of total gross of some \$20 billion investment would have to come from Latin American domestic savings. In fact, they have bettered this -- at 87 per cent. The second example concerns improved collection of taxes: total central government revenues have risen by about 25 per cent in real terms since the beginning of the Alliance.

Another milestone of Latin American action since the Summit was passed about two weeks ago, was the meeting in Paraguay of the Latin American Free Trade Association, and later including the Central American Common Market representatives.

"Latin America will create a common market," reads the first item in the Declaration of the Presidents at Punta del Este, and these men were meeting in Paraguay to come to grips with the problems of economic integration. They made important decisions to form a sub-regional market of the West Coast countries, and they took stock of the obstacles to integration which they will meet again soon to re-examine.

We can look back to the experience of the European Economic Community and recall the time it took, and is still taking, the advanced Western European countries to work out arrangements for wider, new markets. We know that the process of adjustment to Latin American economic integration will not be quick or easy. We are encouraged by these first, realistic steps being taken with determination by our Latin American friends towards establishing a common market by 1985.

Where does the United States stand in this undertaking? We are an interested observer, ready to do what we can to help. We wish to see an economically strong, increasingly independent neighbor in Latin America as a region. As discussions at Punta del Este show, we wish to see increased trade among the Latin American countries, as well as between them and the United States. We have urged more effective trade promotion towards this end. The benefits of increased

and diversified trade are unquestionable. Sometimes, however, we see statements that "trade not aid" is the key to development. In this context we must look at trade in another perspective.

In the first place, the items that underdeveloped countries have to trade are not in all instances sufficient in terms of attractiveness to the world market to guarantee that more liberal terms for their trading would automatically bring in all that such a country needs to give its people better lives. Secondly, development is not only economic. It is social and distributive as well; and in looking over the world scene it is not difficult to find situations in which exports are flourishing without there being much more than a too-slow trickle-down of benefits within. Development means not only increased capital, including, especially private capital from domestic and world savings. It means modernization, reform, and social improvement as well, as the Charter of Punta del Este well shows.

But with the above perspective taken into account, trade is vital.

The question of trade preferences is one of special interest to our Latin American friends. Until recently, the United States has traditionally opposed preferences of any

kind. A potentially vast change is seen in the offer made by President Johnson at Punta del Este, to consider with other developed countries the establishment of generalized, non-reciprocal preferential treatment for all developing countries.

Here in Chicago the center of our nation's vast, rich, high-production farming area, one feels strongly the importance of agriculture to a nation's wellbeing. Citizens of this area might be interested in farm production in Latin America for four reasons:

- 1) Latin-American-export food products that do not duplicate your production are on local dinner tables every day;
- 2) growing numbers of more prosperous Latin American farmers are in the market for modern farm machinery -- much of it produced in this area;
- 3) Per capita caloric intakes are on a downward trend in some Latin American countries
- 4) Some foodstuffs that are parts of customary diets, such as wheat, cannot be grown efficiently in a number of Latin American countries.

It is not that food production has not increased during the Alliance years. It has -- nearly 9 per cent in real terms. But this rate of increase is not enough to keep up with the number of mouths to feed, which increases at 3 per cent yearly -- the highest rate in the world. Forecasts are that if present birth rates continue, the 237 million Latin Americans of today will be 650 millions by the end of this century. It is asked whether the birth rate might go down in the foreseeable future. This is difficult to predict. Many countries now -- this is a fairly recent development -- do have family planning groups or movements, whose long-range effects remain to be seen. As you know, the policy of the U.S. Government in this matter is to provide information and assistance only to those countries which request it.

The food-population problem in Latin America is not -- yet -- a matter of starvation or survival. Though the caloric intake is declining in some countries, it still compares favorably with that of many other underdeveloped areas of the world. Our Food for Peace program is providing some stop-gap assistance, of course. What is alarming is the projection of present trends of population versus production

into the next generation: clearly, farming methods are going to have to be modernized quickly and drastically if the basic needs of a growing population are going to be met.

Greater numbers of people will bring with them greater problems of many kinds: One of them concerns education, so essential to the progress of peoples.

Today, more than 40 per cent of the people of Latin America are under 15 years old, and the average age becomes steadily younger. Present educational facilities are woefully inadequate for these youngsters -- and it will take a mighty effort merely to keep pace with the population growth. The highest priority, I believe, is in the university. To be sure, there are some excellent institutions of high learning in Latin America with many wise and dedicated teachers. But much more needs to be done to modernize the universities, where tomorrow's leaders, upon whom so much depends, are now preparing themselves for the challenge of leadership.

Many of these young people of real ability and potential have overcome great personal obstacles to get to the public universities, only to discover in all too many cases that the curriculum is outdated, the professors are part-timers who do not really care, and there is nowhere to turn for help -- except to the political extremist agitators.

The frustrations of youth in any country, in any generation, are many and part of the human condition. But one can have great sympathy with the Latin American young person who sincerely, passionately wants to help his people and his country but does not always find the constructive way to do it. It is no wonder that the blandishments of extremism, the promise of easy solutions and perhaps somewhat glamorous adventure, does appeal to some of these youngsters. What is remarkable, and a testimony to the good sense of the young people, is that so few are really taken in by the shrill, long-winded tooting blown around the hemisphere by that aging professional "young revolutionary," Fidelito.

Castro can sound very emotional on the subject of "U.S. imperialism," et cetera; but this does not deter him from preaching and practicing intervention into the affairs of other nations. The meeting a few weeks ago of the ironically named Latin American Solidarity Organization showed there is anything but solidarity among the communists of Latin America, but it also offered proof that Fidel is still bent on exporting violence.

One of the major effects of all the sound and fury out of Havana is that the rest of the hemisphere is united against the Castro regime's attempts on its neighbors. This will come into public focus later this month when the foreign ministers of member countries of the Organization of American States meet in Washington to hear Venezuela's charge against Castro Cuba for armed intrusion with intent to subvert progressive democracy with violence and terror.

Castro-inspired subversion and guerrilla violence is not a major menace on the general Latin American scene today, but it is serious enough to merit constant vigilance by all countries of the hemisphere.

Continuing problems of internal order or the danger

thereof requires many of our neighbors to face the need of modernizing their organized security forces -- new training methods, replacement of worn-out or obsolete equipment, etc. When nations begin to think about replacing outmoded equipment, this makes international news: headlines proclaim that there is an "arms race" going on in Latin America, and many well-meaning persons in our country fail to see the matter in its true perspective. Let there be reason here.

In fact, there is today no such "arms race"; Latin America as a whole spends a lower percentage of its GNP on military affairs than most, if not all, other developing areas. The percentage of national budgets devoted to defense has actually declined 50 per cent over the last 20 years. Today the total annual military equipment expenditures of all Latin America are only half of what New York City spends each year to operate a police department.

True, the acquisition of replacement equipment is a difficult problem, one in which the United States is necessarily involved, because of our economic-assistance role under the Alliance for Progress.

Our position is clearly defined: we subscribe to the Action Program signed at Punta del Este, which urges the maximum utilization of scarce national resources for developmental purposes, and recommends limitation of the purchase of sophisticated, expensive military equipment. We recognize that cases must be judged individually. We are hopeful that through realistic planning and goodwill, each nation will find the way to utilize wisely its own resources and those obtained from outside its borders, so that an optimum balance can be struck between self-protection and forward development.

Our policy in Latin America is based on this kind of positivism. The Alliance for Progress is the keystone of our whole hemispheric international relations policy. That is why I am Coordinator of our Alliance effort as well as Assistant Secretary. Our desire is not to maintain the status quo, but to support meaningful reform, modernization and betterment of the conditions of life. We wish not to exploit, but to join hands with our neighbors as strong and equal partners in the world community of nations. Our number-one concern is to help bring improved living conditions to millions who require assistance. We believe

we must do this not only because of humanitarian concern, but because we know the United States cannot continue indefinitely to be a palace of affluence in a neighborhood of need. Let us keep in mind that the average per capita income in Latin America of about \$300. is only ten per cent of what we regard here as the index of poverty.

What we know as the Alliance for Progress might well be called our War on Poverty in the neighborhood of this hemisphere. Recent experiences in our own country with the destructive and irrational violence that frustration and a sense of injustice sparked, have had and could have far worse parallels in our international neighborhood, Latin America.

To those who question whether we can afford to be involved in this hemispheric war on poverty, in view of our other foreign and domestic obligations, the answer must be: we cannot afford not to. In terms of our productivity, there is no question about it, with less than six tenths of one per cent of our GNP designated for all foreign aid. In terms of budgeting, the answer is likewise affirmative.

No one supposes it will be easy or brief, this struggle to create better lives through the Alliance for Progress. President Johnson has said this: "If what we do is to really last, we must make this commitment to ourselves and to all of Latin America: we will persevere. There is no time limit to our commitment. We are in this fight to stay all the way."

Time does speed by. It is startling to realize that of the six years of the Alliance for Progress, four of them have been under the leadership in this country of President Johnson.

Let me make a personal observation: his steady, consistent direction during these years, his personal commitment to the support of the Alliance, have been recognized by Government leaders in the hemisphere. But until this year and Punta del Este, the public had perhaps not come to appreciate fully these qualities -- perhaps because ideas are associated with men, and the tragic death of John Kennedy meant to many the end of his bold venture, the Alliance for Progress. With President Johnson's personal visit to Latin America during the Summit, I think, Latin Americans have come to see our President in a more personal way -- as a Western Hemisphere leader and a warmly human man, deeply committed

to a better future for all Americans, north and south.

We are on solid ground. The Alliance is not a bi-partisan issue. The policies laid down by the President these last four years follow general lines established by the Kennedy administration, which in turn go back to the Act of Bogota, during the Eisenhower years. Historically, all these ideas had Latin American origins: an inter-American bank, a union for development, a common market. Constantly, we have sought to refine and improve, to modernize institutions and relationships, all with the view to bring the goals of the Alliance closer to more people.

Modernization must occur as to certain of our political relationships in our neighborhood dealings with each other. We must remember that the world's most powerful super-state is in the Western Hemisphere. The overwhelming preponderance of the United States is for us the single most significant fact about political relationships with our neighbors.

In folklore, giants were always a problem for normal-sized people. Most giants were terrible monsters. Some were good, but so clumsy that they hurt people without intending to do so. A few were very wise, very understanding, very careful about putting their weight down. This, until an

economically integrated Latin America begins to equal us in strength, is the kind of giant we ought to be.

Our 1903 arrangements with Panama are out of date. I do not see how there could be much doubt about that. Today I cannot, even if time permitted, go into the details of the three closely related treaties that would modernize our relations with Panama beyond saying that under the President's directive a very able and wise negotiating team headed by President Eisenhower's Secretary of the Treasury has worked with a Panamanian delegation of great integrity and skill for three years to find new bases of agreement. These new bases were rationally arrived at. They are designed to modernize U.S.-Panamanian relationships in a way that befits two sovereign and independent nations. They look toward the needs of world commerce in a not very distant future. They are in keeping with fine and much admired pages of our history, such as giving independence to the Philippines and the freedom of choice given to Puerto Rico.

Finally, I offer for your evaluation the conclusion that there is no cause for pessimism or desperation regarding the future. There has not been enough social or economic progress yet to eliminate basic problems, but there has been enough

to prove that we are on the right track -- enough progress to help people now, as well as to brighten their hopes for the future. Democratic processes and institutions are not yet universal, but it is a pleasure to note that there have been no extra constitutional changes in government for more than a year in Latin America.

The general situation is hopeful. But there is no room for complacency. We must all get on with the job.

I believe that the ideology of the Alianza -- the feeling that "we can do it, in peace and in freedom" -- this is catching on and growing, and it will dominate in the end.

A new generation of Latin Americans, development-orientated and positive of will, is coming into positions of leadership and decision. They, too, have a rendezvous with destiny. They will determine the ultimate success of this "revolution of sweat, rather than of blood or tears."
