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"THE ALLIANCE MOVES ON -- A REPORT ON
DEVELOPMENTS SINCE THE SUMMIT MEETING"

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GEORGETOWN UNIVERSITY, WASHINGTON, D.C.
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I am pleased to have this opportunity to be with
you here tonight to talk about Latin America.

At the outset, I wish to pay tribute to Georgetown
University and to the organizers of this Latin American
Forum. There is a great need for this kind of
intellectual investigation and interchange of opinion
concerning inter-American relations. It is indeed a vast
and complex subject which does not lend itself to
simplistic statements or curbstone judgments.

The kaleidoscope of recent headlines on Latin America is to the average North American reader perhaps more confusing than illuminating. Is there really some kind of "arms race" going on? Does the death of Che Guevara mean that the problem of subversion is diminishing or growing? How much do Congressional cuts in the foreign aid bill damage prospects for the Alliance for Progress? Just what is United States policy towards Latin America?

These are fair questions; there has been a good deal of comment, criticism and debate in the past weeks on these general topics. Tonight I should like to outline for you my views as to the facts and considerations behind many of these questions. Let us review activities in the home hemisphere since the Summit Meeting of American Presidents in April.

Let me start with a definitive policy statement: the keystone of United States policy in Latin America is the Alliance for Progress. We are completely committed to this "vast effort to bring a better life to all the peoples of the Continent," as described in the Charter of Punta del Este. Our policy is directed toward assisting our neighbors to achieve self-sustained economic growth and better income distribution, as soon as possible. We wish to see them economically strong,

socially progressive and politically independent not only because of our clear desire to be "good neighbors" -- but also because it is in our own national interest.

Now, there will be some who will consider what I have just said as so much rhetoric, merely noble words of idealism. So be it. We of this hemisphere who work with optimism and energy to achieve the goals of the Alliance for Progress should never be ashamed of being idealistic, for history has shown that idealism is essential to the attainment of great goals. The objectives of the Alliance do indeed represent a shining ideal -- an ideal worthy of dedication of governments and millions of individuals who can both contribute and benefit.

Thus these objectives are the ideal, the genuine desire giving direction to our foreign policy. Shifting our focus from the mountain peak to the rocky and always uphill trail we must traverse, we ask ourselves: how has the hemisphere been doing under the Alliance, in terms of real progress and human welfare?

First, a general answer, than analysis: I conclude that while progress has certainly not been adequate to satisfy the tremendous needs of the people, it has been sufficient to assure the hemisphere that we are on the right track. Events have proved that those who advocate violence, chaos and foreign domination are simply not with it; they are old-fashioned and out of touch. There is growing confidence that though today's problems seem sometimes insurmountable, the Alliance for Progress goals can be reached through the peaceful revolution that is now underway.

As I have said elsewhere, it seems to me that historians of the future will divide the Alliance into three main phases.

Phase I, the first years, was a time for organization, for agreement on the nature of the problems, for stabilization and for mobilization of forces. It was a time for grappling with major economic problems -- such as rampant inflation, balance-of-payment difficulties and other distortions that made social and economic growth

almost impossible. These problems have not disappeared today, but Latin America has learned how to deal with them more effectively.

Phase II of the Alliance began with a turning point in inter-American history: the Summit meeting of the Presidents of America in Punta del Este. There the Presidents clearly outlined the course to be followed in the next "decade of urgency" and beyond, into Phase III, when many of the Alliance goals will have been met. Today, in this second phase, the emphasis will be on human needs and hopes, on institution-building, and modernization.

The "Action Program" of the Presidents called for activities under six specific chapters. Let us consider what has developed since the Summit in each of these categories.

Chapter I dealt with Latin American Economic Integration and Industrial Development, with a view to creating a Latin American Common Market starting in 1970 and having this common market "substantially in operation" by 1985. They

have made a good start along this long and necessarily difficult route. The Latin American Free Trade Association and the Central American Common Market have met to begin the process of merging the two blocs eventually into a group embracing all of Latin America. Within LAFTA, there has been wide acceptance of the concept of automatic tariff cuts and other measures for intra-regional trade liberalization. There have been, not surprisingly, problems to work out: one is the crucial question of differing preferential treatment for the least-developed and for the medium-sized countries. LAFTA officials are presently working to resolve the differences, in preparation for another meeting on this subject early next year.

Meanwhile, the Andean countries -- Chile, Colombia, Peru, Ecuador, and Venezuela -- are establishing a temporary, sub-regional trade area to allow them to integrate more quickly, and the Commonwealth Caribbean is studying a similar move.

Economic integration, then is moving -- still slowly,

but with enough progress to provide encouragement that this Presidential directive will be carried out on schedule.

Let me underline the fact that we are talking about a Latin American Common Market, which is a Latin American initiative being carried out by Latin American leaders. The United States role is one of offering firm support for this Latin American undertaking. This support is expected later to be in the form of helping to finance some of the economic adjustments that will surely have to be made once the Common Market goes into operation; studies are now being conducted regarding these financial implications.

I cannot leave this subject without mentioning what I consider to be the single most important development since the Summit meeting. I refer to the new, dynamic Latin American leadership now largely determining the course of the Alliance for Progress. The Latin Americans were the major participants in creating the Action Program at Punta del Este, and they with just pride regard it as

their own. Economic and political leaders of individual nations, as well as the directors of multilateral agencies in inter-American affairs, are taking imaginative, effective action. In these new and enlightened leaders we see symbols of the Alliance for Progress, the success of which, after all, will depend mostly upon what Latin Americans do for Latin America, rather than upon the relatively minor assistance that comes from outside sources.

Chapter II of the Action Program called for multinational action in laying the physical foundations for economic integration through infrastructure projects. Within the vast expanse of the area there is great need to improve the movement of persons and goods and information; efficient telecommunications systems and interconnecting power systems are necessary. Nations jointly must develop international watersheds of frontier regions.

Much of this multinational action will be through

sponsorship of the Inter-American Development Bank. A good beginning has been made. With pledges of an additional \$1.2 billion, the IDB will substantially increase its funding of such multinational projects over the next three years. In this regard, the Congress a few weeks ago responded to President Johnson's request that U.S. support to the IDB be increased from \$250 to \$300 million annually, for three years.

Of particular significance has been the activity in the Bank's Preinvestment Fund for Latin American Integration in getting feasibility studies underway of projects which will accelerate multinational development. Areas in which the Fund is operating are transportation and telecommunications, as well as the River Plate Basin plan which would involve the five countries bordering that river and its tributaries.

The third in the Presidents' six items for action is entitled "measures to improve international trade conditions in Latin America." This, of course, is an area of great significance to Latin America, where all too often nations are largely dependent for export earnings upon a single product which in turn may be subject to serious price fluctuations in the world market. With the general trend showing lower prices for agricultural products exported by developing countries, plus higher prices for the finished goods they have to import, we can readily understand why many Latin Americans are deeply concerned about their "terms of trade."

We have made some progress in this difficult matter since last April. As directed by the Presidents, an inter-American Export Promotion Center is being established through CIAP, the Inter-American Committee for the Alliance for Progress, under the chairmanship of Dr. Carlos Sanz de Santamaria. An ad hoc committee of banana-producing countries is being convened to develop a joint approach to the European Economic Community on eliminating the EEC trade restrictions on bananas. After years of difficult negotiation, agreement was reached in October among major cocoa producers and consumers, towards international stabilization of cocoa prices.

World variations in coffee prices have created serious

economic problems over the years, and the International Coffee Agreement has provided some much-needed stability since it went into effect in 1963. This agreement is now being renegotiated. At the August meeting in London of the Coffee Council, tentative agreement was reached on recommended revisions of basic export quotas, the most important issue for producing countries. Progress was also made on enforcement procedures. A final vote on these and other matters is expected at the November 20 meeting of the Coffee Council. Meanwhile, the United States and Brazil are working towards solution of a bilateral problem concerning Brazilian soluble coffee exports to this country.

Study of the matter of trade preferences for Latin America was recommended by the Presidents. Solutions here are not easy to achieve. We in the United States understand the strong views of developing countries regarding the importance of trade and we agree that some form of

preference should be given to their products. We do not think, however, that the answer to their trade problems lies in the proliferation of the type of preferential arrangement now in effect in some areas which discriminates among developing countries.

Since the Summit, we have been working closely with the principal countries of Western Europe to develop the broad outline of a temporary, generalized system of preferences to be granted to all developing countries by the industrialized world. The Organization for Economic Cooperation and Development (OECD) Special Group on Trade with Developing Countries, consisting of representatives of the U.S., U.K., France and Germany, has agreed on a set of principles and guidelines which might form the basis for such a system.

In other words, the representatives found a consensus which could serve as the basis for a common position of OECD countries at UNCTAD-II next February. This consensus

demonstrates two new and significant departures: (1) The United States is now willing to consider offering preferences, and (2) the Europeans are willing to consider a system of generalized preferences which would not discriminate against Latin American exports.

Chapter IV in the Presidents' Action Program calls for modernization of rural life and increase of agricultural productivity, especially of food.

This is a long-range problem of great importance. For in addition to today's urgent need to create better living and working conditions for farm people -- some 54 per cent of the entire Latin American population -- we must face the fact that

having enough to eat may be a stark problem for millions in Latin America in the years to come. Agricultural production simply is not keeping pace with population growth. And even today, many countries are having to use precious export earnings to import foodstuffs.

In the months elapsed since the Summit, we in the United States have been preparing to intensify our assistance in the agricultural area. More importantly, Latin American leaders themselves are giving new concentration to this requirement.

Significantly, CIAP at its recent meeting in Rio decided to take into account demographic factors in its future country reviews. This reflects a growing concern throughout the hemisphere regarding the food-population ratio.

Moving on to Chapter V of the Presidents' program: Education technological and Scientific development, and intensification of health programs.

Two major initiatives within the framework of the Organization of American States are now underway in this field:

1) A group of truly distinguished scientists and educators from 12 OAS countries met in Washington in July. They agreed on a long-range program of multinational activities to be carried out by "centers of excellence" in Latin America. Their recommendations will be considered at a ministerial-level meeting of the OAS Inter-American Cultural Council in early 1968. (The U.S. member of this distinguished group is Dr. James R. Killian of MIT.) Thus, through the organized efforts of the inter-American scientific community, plans for a regional science program are taking shape.

2) Similarly, in Education and Culture, an inter-American educational development program is gradually being designed, under auspices of the OAS Inter-American Cultural Council.

It seeks to promote inter-American cooperation in this field.

Educational Television, with such great potential for teaching in all underdeveloped areas, has received a good deal of concentrated attention since the Presidents met. Experts have been conducting specific studies on opportunities in regional programs, and on the desirability of a multinational training center. Their recommendations will be presented to the OAS Cultural Council meeting in February.

These are a few of the current activities in this general field of education, which is indeed of very high priority in the development policy of Latin American nations. I wish we could take the time here to discuss in depth this question of current and future needs of education in Latin America.

Let me move on to the final item in the Action Program of the Presidents -- one that has received a good deal of public attention recently: the elimination of unnecessary military expenditures.

The Latin American Presidents noted that the demands of economic development and social progress make it necessary to apply the maximum resources available in Latin America to these ends. They expressed their intention "to limit military expenditures in proportion to the actual demands of national

security, in accordance with each country's constitutional provisions. . ."

Let me emphasize, in case there should be any confusion about U.S. policy in this question, that the United States firmly endorses the objectives of this statement. We do not wish to see our partners in the Alliance spend resources for unnecessary military equipment.

By "we" I mean both the Executive and Legislative branches of the United States Government. The Congress in the pending foreign aid legislation has directed the President to suspend financial assistance to those countries diverting their resources to unnecessary military expenditures and significantly sacrificing their economic and social development. This pending legislation underscores both the concern and the agreement on this subject which the Congress shares with the Executive Branch. At the risk of over-simplifying a complex issue, let me suggest these salient points to keep in mind:

1) Latin American military expenditures in relation to their GNP are low -- lower than any other area of the world except sub-Sahara Africa;

2) Every independent State must, in the final analysis, determine whether its national requirements make necessary acquisition of specific types of military equipment, especially in view of the fact that Castro-inspired subversion, while now a diminished threat, does remain a threat;

3) Thus we continue to believe that our Latin American neighbor governments will avoid "unnecessary" military expenditures. But we have indicated to certain countries that qualify that we would be prepared to permit the sale of modest military equipment consistent with their security needs;

4) Consistent with the directives of the Presidents in Punta del Este, as well as the wishes of the U.S. Congress, the United States will of course continue to take into consideration a given

country's economic situation, including military expenditures, in working out with that country bilateral assistance under the Alliance for Progress. Further we have been suggesting to our Latin American colleagues that CIAP, the Inter-American Committee of the Alliance, make this matter a regular part of the systematic CIAP country reviews;

5) Initiatives are now underway in various Latin American countries to obtain broad agreement on arms limitations;

6) All considered, while there are always differences of opinion on the extent of military modernization that may be necessary, neither we nor our Latin American colleagues see any arms race in the hemisphere.

These, then, might be considered the highlights of the post-Summit progress report to you -- all too brief, simply because there is a great deal to talk about, and

so little time. I should like to have discussed with you, for instance, plans and developments within the private sector, without whose broad benefits to Latin America the goals of the Alliance would be unreachable, out of the question.

Let me close by speaking to you on behalf of our friends in Latin America. For I know that many of these friends are worried -- worried about us in the United States, about our attitudes, about what recent activities might mean in inter-American relationships. While our country is better reported to literate or listening Latin Americans than they are reported to us, nonetheless, it is difficult for our neighbors to appraise accurately the nature of our national problems as to Viet Nam and in our cities. They get an unclear picture, and it worries them. They examine proposals made to the Congress favoring

protectionism and drastic cuts in our support to the Alliance for Progress -- and they wonder just how much they can count on their friends in the North.

To be sure, some of their doubts may be due to their own lack of understanding of how the U.S. system of Government functions -- the checks and balances, especially in the foreign policy field. Public declarations from many sources, carried to the corners of the hemisphere by the news services, might well leave many confused and even alarmed.

I must say that at this time I share the concern of many Americans regarding the potential damage to Alliance programs should the foreign aid bill be cut beyond the

present approved authorization figure. Neither do I wish to minimize the psychological effect such a cut would have at this time, when Latin American leadership is reaching new heights of effectiveness, when the concept of self-help in local communities and in the area as a whole is producing important new gains for the Alliance. These very gains, however, give me a solid basis for believing that the American people in the long run will not let their neighbors down. I remain hopeful that the Congress will continue to be responsive to this opportunity by appropriating the full amount they have authorized for the Alliance for Progress.

Further, I do not believe that the much-publicized proposals for protectionist moves against imports will ever have success in the United States. Certainly, Latin America will be heartened by the firm determination of President Johnson, who recognizes that such protectionism would hit Latin America harder than many other areas, and

has vowed that proposals of this kind shall not become law so long as he is President.

Meanwhile, as we are painfully aware, tonight while we wrestle with the burden of major hemispheric problems, there still remain too many in Latin America who are waiting for the Alliance to touch them in a more meaningful way. All of these efforts directed towards solution of problems outlined by the Presidents at Punta del Este must be translated into personal terms: a new opportunity, a saved child, a piece of land.

And so it shall be. We have but to believe that it can be done and to keep our ideals clearly in focus, as we set about doing what we can, with determination, step by step, day after day.

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