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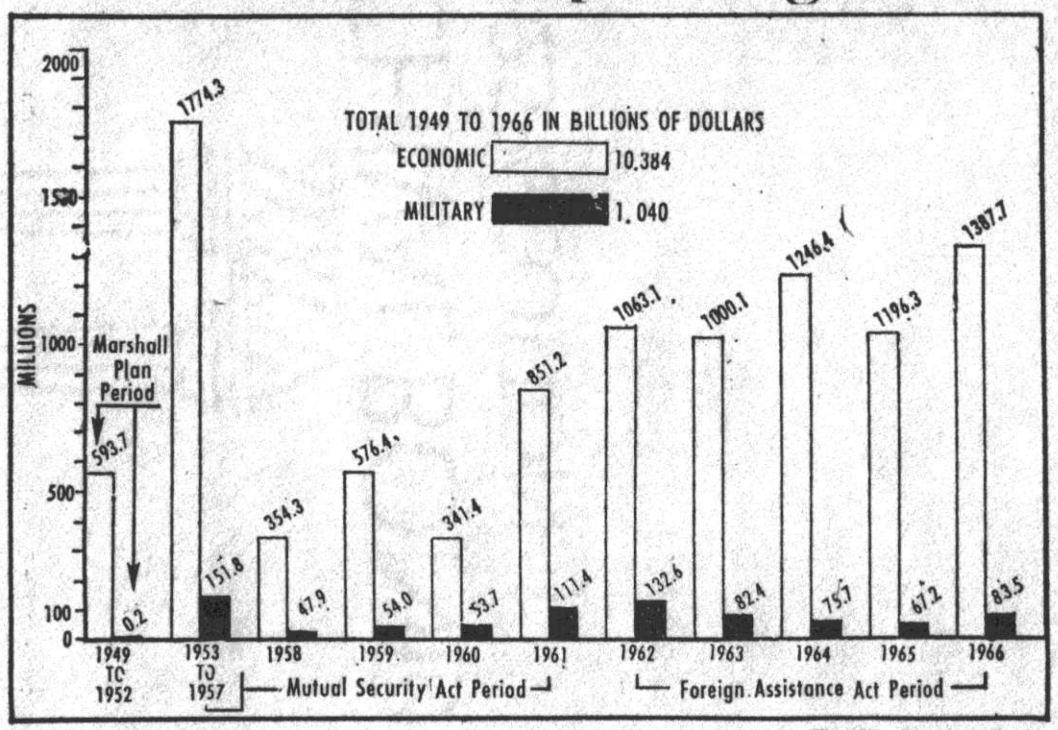
Latin American Economy Is a Little Thin in the

By J. Y. Smith
Washington Post Staff Writer

ON A WALL OF the paneled office of Felipe Herrera on the 12th floor at 808 17th st. nw. there is a map of Latin America studded with brightly colored flags. Herrera, president of the Inter-American Development Bank, is fond of showing the map to visitors.

"It shows what the problems are," Herrera said. "You can see at a glance the magnitude of what we have to do . . . But I am an optimist."

How U.S. Has Helped Neighbors



The Washington Post

The flags locate the bank's development projects and illustrate one of the great problems facing the continent. They are clustered mainly along the coastal areas. Few dot the vast interior.

One of the main objectives of the hemispheric summit meeting which President Johnson is to attend in Punta del Este, Uruguay, this week is the approval of plans to set up a Latin American common market. The market is scheduled to be set up between 1970 and 1985.

For the market to be effective, however, there will have to be many more flags in the middle regions of Herrera's map. At present, telephone calls from one Latin American capital to another most often are beamed on a radio circuit via New York City. Heavy goods being shipped from Brazil to Peru, which share a common border, must go through the Panama Canal because there is no way to transport them across the Andes.

In short, the continent must be integrated physically in terms of highways, railroads and communications if it is going to be integrated economically.

It happens that, in connection with the summit conference, the Inter-American Development Bank has been given a major role in building a communications network.

President Johnson has called for an increase of $1.5 billion in over-all United States aid to Latin America during the next five years. This would be a 30 per cent increase over the present contributions of about $1 billion a year.

Of the new money, about $250 million would go to the bank at the rate of $50 million a year for continuing studies on the problems of setting up a common market and for new multinational development programs. It would also help pay for training scientists and technicians to operate a modern economy.

It also happens that Herrera is an evangelist of economic integration as well as a formulator of what it should do and how it should be carried out. He sees economic integration in terms of benefits to individual Latin Americans, a way of breaking the pattern of social injustice, poverty, ignorance and disease.

In a speech at Harvard last week, Herrera said the desire of Latin Americans to set up a common market was "a positive stimulus toward socio-economic development—the soundest means of strengthening and making true inter-American relationships a reality—for an integrated and developed Latin America will function in accordance with common interests and ideals."

Herrera's bank is a relative newcomer among the world's financial institutions and is still relatively unknown outside Latin America. It was established Dec. 30, 1959, and now occupies a glass-and-steel building on 17th Street decorated in the motif of Muzak and wall-to-wall carpeting, with Latin American works of art.

It was created by 19 Latin American nations and the United States and is run on funds provided by member countries. The major contribution has, of course, come from the United States. As of last Dec. 31, the bank had made 393 loans totaling more than $1.9 billion from the various funds it administers.

The United States contribution to the bank's ordinary lending capability has totaled about $250 million per year. It is anticipated that this rate will continue over the next three years at least. The $250 million spread over the next five years for common market projects is in addition to the regular funds.

By Wally McNamee—The Washington Post

American Economy Is a Little Thin in the Middle

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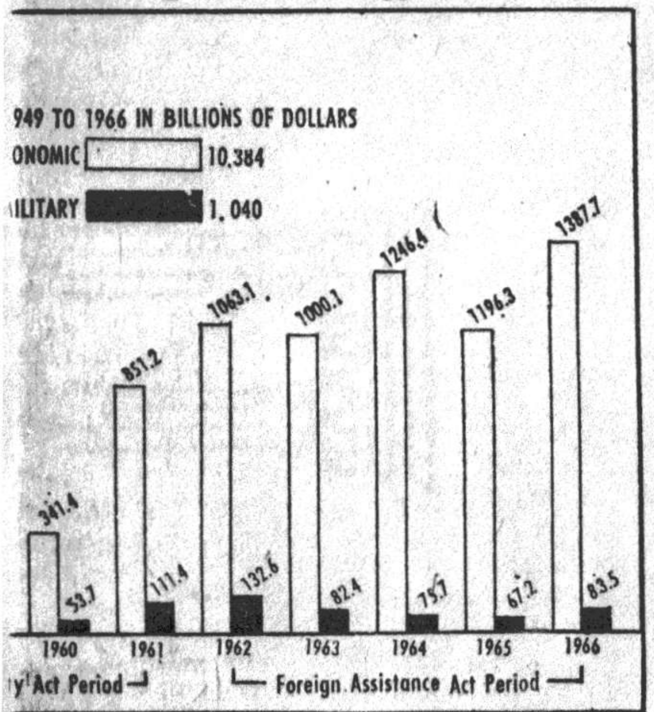

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The bank also operates a special fund which it lends at low rates for projects such as municipal sewer systems. The total United States contribution to this fund up to the end of last year was $900 million. Finally, the bank is the administrator of a social progress trust fund, totaling $525 million, under an agreement with the United States.

The bank lends to private organizations as well as to member governments. But its basic policy in deciding on loans is whether a given project will contribute to a national or regional program which, in turn, will make a direct contribution to the economic and social well-being of the country.

No loan is granted until the bank has satisfied itself that the borrower cannot obtain funds from private sources on reasonable terms. Moreover, in most cases the borrower is required to put up 50 per cent of the cost of a project.

In all of this, the day-to-day operations of the bank are in the hands of Latin Americans. But in the nature of things, the United States exercises a preponderant influence at the supervisory and policy level. It is an aspect of the bank which its officials are fairly loath to talk about.