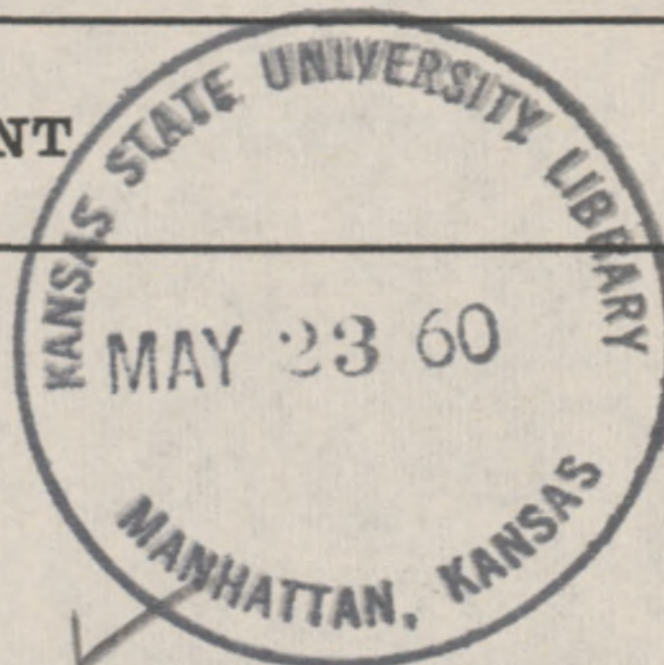


80th Congress }
2d Session }

COMMITTEE PRINT



STUDY MISSION IN THE CARIBBEAN
AND NORTHERN SOUTH AMERICA
NOVEMBER 1959

REPORT
OF
SENATOR HOMER E. CAPEHART
TO THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

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Congress
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APRIL 1, 1960

Printed for the use of the Committee on Foreign Relations

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WASHINGTON : 1960

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86th Congress
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LETTER OF TRANSMITTAL

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
April 1, 1960.

Hon. J. W. FULBRIGHT,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Transmitted herewith is a report on studies which I made as a member of the Committee on Foreign Relations in Jamaica, Haiti, the Dominican Republic, Venezuela, and Colombia during a tour of these countries in the period November 14-29, 1959. I was accompanied by Mr. George C. Denney, Jr., of the committee staff.

I wish to express my appreciation to the many people en route who helped me learn and made my stay pleasant in each country: employees of the U.S. Government, officials of foreign governments, United States and foreign businessmen, newspapermen, and private citizens, and employees of the commercial airlines on which we traveled.

Sincerely,

HOMER E. CAPEHART:

✓

STUDY MISSION IN THE CARIBBEAN AND NORTHERN SOUTH AMERICA

INTRODUCTION

In this report I do not attempt systematically to discuss the political, economic and military situations in each country that I visited. That is being done in other studies being published by the Committee on Foreign Relations in its series of studies on United States-Latin American relations.

I record here the observations of a traveler staying for a short time in each of a few countries in the area. What one sees and the subjects which one concentrates on during a trip of this kind are somewhat accidental. The presence or absence of certain local government officials and the time they happen to have available are beyond control. Current events naturally determine to a large extent what is on people's minds.

In one country, therefore, agricultural subjects will get more attention; in another, business conditions will have priority. For whatever benefit it may be to members of the committee on Foreign Relations, and to other students of problems in United States-Latin American relations, I have set down my observations on those subjects which I spent substantial time on during my trip.

I have tried also to steer clear of making generalizations applying to all of Latin America. I visited too few countries on this trip to obtain a representative sample of problems. More important is the fact that the countries in the area differ so greatly from one another that generalizations, if true, become so broad as to be mere cliches. A cliché about all Latin American countries becomes an irritation in a country where it doesn't fit.

SUMMARY

Jamaica is doing well. Emerging toward complete self-government with a record of remarkable political stability, her fortunate blend of sound government economic planning and vigorous private enterprise promises rising living standards.

Haiti needs U.S. assistance badly, but not on the haphazard basis of the past. A careful development plan, covering 5 years ahead at least, needs to be worked out now and vigorously pushed without interruption.

Economic decline in the Dominican Republic may become a cause for concern.

The new coalition Government in Venezuela has a troubled and uncertain road ahead. The stated objectives of the new Government are, however, not inconsistent with the interests of the United States. There continue to be opportunities for private investment which are well worth exploring.

Colombia's civilian leaders have achieved a most impressive moratorium on internal strife and a favorable stabilization of economic relations with other countries. Their program for economic development deserves support by the U.S. Government and ought to inspire the confidence of U.S. investors.

JAMAICA

PROSPERITY?

Prosperity is, of course, a relative condition. In relation to its history and to economic conditions elsewhere in the Caribbean, Jamaica is doing nicely. Continuing new investments in mining, manufacturing, and construction, together with the further development of the tourist trade in Jamaica, have provided protection against such depressing factors as the cutback in the last year in aluminum-ore exports to the United States and unseasonal weather conditions in the first part of 1959, which disrupted agricultural production.

The Government of Jamaica has ambitious and apparently rather well thought-out plans for economic development. In these plans agriculture will continue to be the mainstay of the country for some time to come. Small industry is increasing rapidly but at the present time it tends to be processing industry related to agricultural production, such as the conversion of edible oils into soap. New investment is being encouraged by various tax-sparing measures and other incentives which are also applicable to foreign investment.

The lovely tropical foliage and mountain beauty of Jamaica cannot, however, hide some serious economic problems. The island is overpopulated at the present time in relation to the amount of production. There is considerable unemployment and underemployment. Perhaps 40 percent of persons in the 16- to 25-year-old category are unemployed or underemployed at the moment. Many Jamaicans have emigrated to the United Kingdom. Many would like to come to the United States. The U.S. consulate at Kingston receives 100 visa applications per day, and this visa work occupies more of the consulate personnel than any other activity.

INDEPENDENCE OF FEDERATION?

Jamaica has had remarkable political stability, considering that it has made the transition from direct colonial control to nearly complete self-government during the last 30 years. Although the majority party, which has widespread popular support, calls itself Socialist, it is a conservative variety of socialism, as is evidenced by the party's attitude toward private foreign investment.

Jamaica is still technically a British colony, which is evolving rapidly toward Dominion status through its membership in the newly formed federation called the West Indies. A British Governor continues in residence. Jamaicans have a somewhat ambivalent attitude toward their political future. For several reasons they would like to be independent and for other reasons they are glad to be part of the West Indies. Like other areas in the Western Hemisphere having a British history, they do not regard themselves as a Latin American country.

The West Indies is currently engaged in a struggle over representation in the legislature. The federation is made up of a number of disparate units. Jamaica has one-half of the population of the federation, and if representation in the legislature were fixed solely in relation to population, Jamaica would dominate it. At the time I was in Jamaica the Premier and several of his principal associates were absent in Trinidad, the capital of the federation, to discuss this representation issue. It is to be hoped that this problem can be settled because it is difficult to see how some of the units in the present federation could overcome economic obstacles to development as independent political entities.

DEVELOPMENT PROSPECTS

Aside from the "vital question" of overpopulation, as it was described to me by a high official, Jamaica very much needs additional capital investment and more training for its people. With respect to Government capital investment plans, two large projects are prominently mentioned. One is the building of a dam in the northeast for irrigation purposes. The other is the conversion of the electrical system in Kingston and elsewhere from the old 40-cycle current to the modern 50-cycle system.

The Jamaican Government is eager to have U.S. investors, and many have found the opportunities profitable. Businessmen whom I talked to seemed to be quite well satisfied with the investment climate. I observed in the modern poultry raising and processing plant of Jamaican, Byron Coombs, an excellent example of the rewards which can come from putting together capital and know-how from the United States and capital and energetic labor in Jamaica.

Perhaps the largest new investment is in aluminum-ore extraction. There are two clouds on the horizon. One is the partial dependence of the producers upon U.S. Government stockpiling purchases or barter transactions (an uncertain reed on which to lean). The other is rising pressure, due to a link between Jamaican and U.S. labor unions in the aluminum industry, to bring wage rates in Jamaica more into line with U.S. rates.

The visitor is told of many investment possibilities in Jamaica. Tobacco is mentioned frequently, and it is understandable that the Government would favor expansion in tobacco growing because its cultivation requires such labor that it would be helpful in reducing chronic underemployment. U.S. investment in additional coffee growing would also be welcome. Tourism seems to have a big possibility of expansion. Prices in luxury-class Montego Bay hotels seem high, but space is nearly always filled. For long-run stability of the tourist industry, however, there is a need for more accommodations of moderate price.

SOURCES OF HELP

Since Jamaica is now virtually self-governing, it cannot any longer look to the United Kingdom for automatic help. The British do still subsidize Jamaica, however, through an occasional small grant in aid and continuous support in the form of guaranteed markets for Jamaican products, such as sugar, fruit, and fruit juices.

Assistance from participation in the federation is problematical as far as Jamaica is concerned. The most prosperous of the units in the federation, Jamaica is worried about having this prosperity diluted by participation. Jamaicans point out it costs more for them to go to Trinidad than it does to go to the United States.

Economic progress and prospects are such that the Government has been able to make a successful borrowing of \$12 million in the New York money market. This has gone so well that after a decent interval the Government will probably return for additional private capital. Although Jamaica is eligible for either an Export-Import Bank loan, or a loan from the Development Loan Fund, neither action appears necessary now, considering other demands on such funds and the availability of private capital.

The ICA program in Jamaica is a small one, consisting entirely of technical assistance, but it has been very helpful and appreciated.

JAMAICAN LABOR IN THE UNITED STATES

Some 6,000 to 8,000 farm workers come to the United States each year under the farm-labor program and return when their contracts are over. This is a big help to the Jamaican economy and the Government would like to increase the number by 3,000.

In addition, the Government is most desirous of increasing the number of domestic workers, mainly women, who are selected for employment in households in the United States. Beyond the immigration quota, Jamaican domestic workers are permitted to accept employment in the United States only when they are sponsored by diplomatic personnel within the United States and they must remain in that category of employment. They cannot enter the United States as preference immigrants because the Department of Labor is unable to certify, as the law requires to establish a preference, that there is a shortage of such domestic servants within the United States at fair wages. Of course Jamaican workers are willing to enter domestic service at somewhat lower wages.

Domestic workers may not enter the United States as nonimmigrant workers because household service is regarded, under the Immigration and Nationality Act, as permanent employment. Domestic service is distinguished from migratory farm labor, which is regarded as temporary. Under present interpretations of the law made by the Immigration and Naturalization Service, the situation would not be altered if Jamaican domestic workers were to enter the United States under contract for service for a specified period.

The Government of Jamaica proposes that the U.S. Government work out a pilot program under which a limited number of domestic workers would be admitted to the United States on a non-quota-immigrant basis for specified periods under uniform contracts, which would provide for the employer in the United States to pay the cost of the worker's transportation to the United States and back to Jamaica at the end of the contract. The Jamaican Government would expand existing arrangements whereby applicants for employment here in diplomatic households are carefully selected, undergo medical examination, and otherwise are screened in Jamaica for eligibility and suitability.

Under the present interpretations of U.S. law, new legislation would be needed in order to permit the kind of program desired by the Government of Jamaica. Either the immigration quota for Jamaica would have to be raised or the definition of temporary employment changed to include domestic workers under contract.

It may be argued that the entrance of domestic workers from Jamaica (and other places having lower wage scales than the United States) would depress wages for this type of employment in the United States. This problem could be dealt with by keeping the numbers of such workers appropriately small, either by law or through administrative determination.

Each of the 10 members of the federation (Jamaica, Trinidad, Barbados, etc.) has a U.S. immigration quota of 100 persons each year, making a total of 1,000 for the group. When the West Indies Federation becomes a fully independent country, under the general rules of the Immigration and Nationality Act the new country will have a quota of 100 persons each year. Such a result would make no sense since the present flow of immigrants is causing no difficulty. It would also cause considerable resentment on the part of the members of the new federation. To forestall this result the Department of State has sponsored draft legislation, introduced as S. 2178 of the 86th Congress, which provides generally that when a number of separate political entities form a federation, the new entity is entitled to keep the total of the immigration quotas previously held by the component parts. This bill deserves early enactment.

What the West Indies would really like is to be treated like independent countries of the Western Hemisphere, which have no quota limit on their emigration to the United States.

It is my understanding that the Department of State would like to raise the immigration quotas of a number of small political units like Jamaica throughout the world from 100 immigrants each year to 200, and that the AFL-CIO, at least, among labor organizations concerned, would favor such a change in immigration quotas. Consultation with one or two Congressmen has convinced the Department of State that there would be too much opposition in Congress to such an increase in these small immigration quotas. I am not convinced of that. In any case, the executive branch should submit whatever bill regarding immigration quotas it believes is necessary in the national interest.

CIGAR PROBLEM

As I have indicated earlier, problems between the United States and Jamaica are not terribly serious, compared with problems which I found in the other places I visited. One of those mentioned to me suggests that Jamaicans have to scratch pretty deep to find any real trouble with their relations with the United States. This is the so-called cigar problem.

As a result of a 1902 agreement with Cuba, U.S. tariff schedules have contained a preference for Cuban cigars, which amounts to about 20 percent over cigars from any other source. The legal situation is such that, since 1948, this preference could have been reduced or eliminated through a decrease of the most favored-nation rate in a negotiation under the Trade Agreements Act, but the

matter was never pressed sufficiently by other countries to reach that outcome.

Negotiations on this matter would presumably be under the General Agreement on Tariffs and Trade (GATT) with the United Kingdom, since Jamaica is at present a dependency of that country. Jamaica, however, is the sole United Kingdom dependency to which GATT does not apply because Jamaica did not wish to assume the obligations of the agreement. There would appear to be little opportunity for eliminating the cigar preference on behalf of Jamaica in return for compensating concessions by Jamaica so long as GATT continues to be inapplicable to that dependency.

On the other hand, it would appear that the original economic reason for establishing the preference for Cuban cigars has disappeared. This subject is, therefore, one of those matters that ought to be adjusted sometime, but which always seems to have too low a priority ever to get attended to.

HAITI

PROSPECTS

A visit to Haiti wrenches one's heart. No people deserve assistance more and few need it more. Haiti is one of the few places in the Western Hemisphere where actual starvation occasionally occurs. There are just too many people for the available resources. Haiti has the poorest one-third land of the island of Santa Domingo and two-thirds of the population.

Although Haiti's prospects are not too favorable, the United States is committed by history, Haiti's geography, the likely consequences of inaction, and our past promises to give help. Haitians refer to themselves as a "Black Republic," and they realize, but do not resent the fact, that they are heavily dependent upon the United States. If the United States were to fail to help Haiti to make progress, that fact would be made known by international communism to every dark-skinned man in the world.

Twenty percent of the national budget of Haiti goes for national-security purposes. This is, however, only 5 percent of Haiti's gross national product. These funds are used for military and semimilitary units designed to preserve internal order and to establish a small defense capability against external aggression. There is genuine fear of trouble originating in Cuba, since the recent occasion when 35 of Castro's followers were killed by Haitian military personnel in an abortive invasion attempt.

WORSENING ECONOMIC CONDITIONS

The outlook for the short term for Haiti's economy is bleak indeed. All parts of the economy are in difficulty. In 1959, business conditions worsened, foreign-trade activity dropped to a new low, and tourist trade went along on a minimum basis. The value of Haiti's main export, coffee, dropped by 50 percent during 1959. The country's monetary reserve, near zero for several years, had to be bolstered by special arrangements with the International Monetary Fund and some grant aid by the United States in 1959. The foreign exchange reserves for the past year have averaged about \$2 million, an extremely low figure even though Haiti is a small country.

ECONOMIC DEVELOPMENT NEEDS

Economists would readily agree upon a list of economic development needs and roughly their order of importance. What is needed primarily is a plan and a U.S. aid commitment in general terms so that confidence can be restored. If this could be done, there would be a chance that private capital would flow in. Piecemeal efforts are no good, and that is what we have been doing in Haiti.

The first need is for a bare minimum of qualified administrators in the Government. There is a woeful lack of trained personnel in all departments of Government. Our technical assistance to remedy this lack is extremely valuable, is very much appreciated by the Haitian Government, and should be increased.

The second major need is, of course, development capital. Estimates of necessary U.S. Government loan financing for economic development in Haiti over the next 5 years total \$140 million. For the most part these loans would be self-liquidating. They are listed below:

DLF loans approved

1. To complete the private enterprise sugar mill in the Department of the North: \$3 million (self-liquidating).
2. For irrigation and drainage construction in the Artibonite Valley: \$4.3 million. First expenditures are now being made (self-liquidating).
3. For engineering specifications for the Port au Prince-Aux Cayes Highway: \$0.3 million.

Projects under active consideration

The following items have top priority both as to importance and as to timing:

1. For construction of the Port au Prince-Aux Cayes Highway (to the southern peninsula): About \$6 million.
2. For construction of a new airport in Port au Prince: About \$3 million (self-liquidating).
3. For reconstruction and improvement of the Port au Prince wharf: about \$5 million (self-liquidating).

Projects which should be started within the next 5 years

1. For construction of highways leading from the Port au Prince-Aux Cayes Highway to Jeremie and to Jaumel: About \$6 million.
2. For installation of hydroelectric generators and lines at the Peligre Dam: About \$10 million. (This loan should not be to the Government but to private enterprise, and in any case the power grid should be privately operated.)
3. For financing of a development credit institution, to supply small- and medium-range development credit: About \$20 million (self-liquidating).
4. For construction of a Port au Prince water and sewerage system (for which an engineering survey is now being completed): About \$5 million (self-liquidating).
5. For internal airline improvement and for provision of simple minimum landing facilities in the main cities of the country (other than Port au Prince): About \$3 million (perhaps self-liquidating).
6. For improvement of port facilities in ports other than Port au Prince: About \$3 million (self-liquidating).

7. For additional irrigation areas in the Artibonite Valley and elsewhere: About \$15 million (self-liquidating).

8. For improvement and construction of communications system: About \$5 million (self-liquidating).

Additional private enterprise investment possibilities

The Haitian Government is convinced that its objective of sound economic growth can be achieved only on the basis of expanding private enterprise. Private enterprise applications, from United States as well as Haitian investors, will probably be made to the Development Loan Fund in the next 5 years, totaling \$25 million, in such fields as power, fruit and vegetable growing, canning and food processing, communications, and tourism.

Haiti will also need, in addition to the loans and technical assistance mentioned above, some grant funds, for such things as farm-to-market roads and educational facilities which are normally provided by Government.

HOW HAITI CAN REPAY LOANS

As is indicated above, most of the loans being talked about are self-liquidating. For those that are not, an increase in foreign exchange earnings is necessary in order to make repayment possible. Haiti is very hopeful for an increase in its sugar quota. If the quota were increased from 6,000 tons to 100,000 tons, this would provide a minimum of \$10 million annually in foreign exchange. If washing facilities could be provided for the entire coffee crop, instead of just a portion of it, this would mean an additional \$3 to \$6 million in foreign exchange due to the increased price per pound which such washed coffee brings in the market. Exchange earnings also could be increased if additional production in fruits and vegetables, as well as cocoa, could be brought about.

Although economic prospects for Haiti are discouraging, it is heartening to see the results where a proper application of assistance has been made. I had an opportunity to see the irrigation project in the Artibonite Valley, vast stretches which were nearly desert 5 years ago. Today, the irrigated portions are producing a new crop of rice every 4½ months and crops of sugarcane, coconuts, rice, and vegetables. In the unirrigated part only scrub trees and goats are to be seen.

Tourism is bound to increase in Haiti because of the natural beauty of the country and the unique culture of the people. Haiti will benefit then in the way that Jamaica and other West Indies tourist attractions are now from the diversion of tourists out of Cuba as a result of Castro's actions. The ill wind in Cuba is blowing considerable good to these places.

THE LIGHTS GO OFF IN PORT AU PRINCE

Every night between 7 and 8 o'clock the power in Port au Prince and in Cap Haitien goes off for an hour or so. The electrical system is overloaded. This reflects a nasty problem, which is one of the roadblocks to economic progress in Haiti.

A private power company has a concession which runs until 1970. Relations between the Government and the power company have been bad. Nearly half of the power output is stolen by consumers through

various makeshift devices. The Government owes \$500,000 to the power company for its own consumption of electricity. The Government does nothing about power theft and, as a result, the power rates in Port au Prince are extremely high. As part of this unfortunate history, the power company has ceased all investment in the system and maintenance is also poor.

The dispute has effects beyond Haiti itself, because outside lending agencies regard settlement of the dispute as a kind of test case of the good faith of the Haitian Government and its administrative abilities. The Government administrators I talked to readily agreed that the power dispute must be settled, but they were vague about how this could be done.

The issues are complicated and emotions have run high. One way of approaching the question would be to interest a new power company in the situation. It might buy out the present company and make a new contract with the Government of Haiti, providing for appropriate expansion of the power system in return for the necessary police and other action to make the enterprise worth while. Apparently the Government has no intention or desire to run the power system itself. Dealings with a completely new power company might solve local political problems and put the system back on a basis of sound management and support.

MILITARY TRAINING IN THE UNITED STATES FOR HAITIANS

A change in the Mutual Security Act initiated by the Committee on Foreign Relations during the 1st session of the 86th Congress has resulted in eliminating a problem in the administration of the small military assistance program carried on by the United States in Haiti. The first sentence of section 105(b)(4) of the Mutual Security Act of 1954 formerly read as follows:

Military assistance may be furnished to the other American Republics only in accordance with defense plans which shall have been found by the President to require the recipient nation to participate in missions important to the defense of the Western Hemisphere.

The phrase "military assistance" was properly interpreted by the Department of Defense to include military training programs.

As a consequence of the fact that not all military units of Haiti are committed to Western Hemisphere defense missions, certain military personnel were not eligible for grant training assistance. Military courses in U.S. schools were open to these military personnel without charge, but since the Government was unable to space funds for transportation of such personnel to and from the United States and for their living costs while here, and since no grant assistance was possible, these officers and men had to stay home.

Not being familiar with the technicalities of U.S. law, some officials understandably felt that Haiti was being discriminated against in favor of certain other countries, such as Venezuela, which was able to pay for such transportation and living costs.

The changes in the Mutual Security Act of 1954 which were enacted in 1959, included a revision in section 105(b)(4) so as to substitute the phrase, "military equipment and materials," in place of the phrase, "military assistance," thus exempting training.

As a consequence of this change in the law, and the recent determination made by President Eisenhower, the fiscal year 1960 military training program includes a program for Haiti which will bring to the United States for advanced military instruction personnel who were formerly excluded for the reasons just described.

DOMINICAN REPUBLIC

ECONOMIC DECLINE

The first thing which strikes one on arrival in the Dominican Republic after departure from Haiti is the contrast between the two countries. Port au Prince appears backward and dirty compared with shining, modern Ciudad Trujillo, where the streets are clean, and well lighted; traffic is orderly; the cars are newer; there are sidewalks everywhere; and the trees and flowers are well tended. There is evidence on every side of new construction schools, hospitals, and especially housing.

Slums exist in Ciudad Trujillo, but they do not begin to compare in degradation with those in Port au Prince. It is also true that country folk come to Ciudad Trujillo and are unable to find work, but the problem is less serious than in Port au Prince. In short, during the years of General Trujillo's power, the Dominican Republic has made great progress economically and in public health and public works particularly.

To speak of the current economic decline, therefore, means to refer to the relatively higher level of prosperity only a year ago. The Dominican Republic is not in real economic trouble yet. There has been a substantial drop in the export earnings of the country due to an oversupply in the world market of sugar, coffee, and cocoa, the principal exports. Unsettled domestic political conditions have resulted in a constriction of retail trade and a reduction in industrial expansion. The Government still has adequate monetary reserves, but took the precaution recently to enter into a standby agreement with the International Monetary Fund just in case.

In addition to these long-term factors another cause of financial difficulty is the recent increase in defense and internal security expenditures.

VENEZUELA

ORIENTATION OF THE COALITION

Many North Americans assume that Venezuela is now being run by a group of radicals. They remember that there was a revolution against the Venezuelan dictator Perez Jimenez. They recall that the new President Betancourt was a radical in his youth and that he and others of the political group now in power were active as Communists or extreme leftists in their university days against an earlier dictator, Gomez. All these things cause many U.S. businessmen, especially, to assume that it will be only a matter of time until Venezuela goes Communist.

I am not ready to draw a firm conclusion. In my opinion, Venezuela is in for further political and economic trouble, but I think the best service I can render is to state the facts as I see them and let others make predictions.

The coalition Government is attempting to put into effect moderate economic and social policies which are quite necessary for the future development of the nation. The coalition headed by President Betancourt is friendly to the United States. It commands popular support. It does not seem about to seize U.S. properties. Its aim is to diversify and develop the economy of the country. It proposes to encourage and strengthen private enterprise.

It is appropriate to enlarge somewhat on each of these assertions.

GOVERNMENT STABILITY

The main political fact in Venezuela is that there is a coalition government. This means that the Government suffers inherently from divided viewpoints. The party of President Betancourt secured 50 percent of the votes, but the other two parties each have equal representation on the Cabinet. This arrangement was agreed upon among the parties prior to the election and is still beneficial to each party for various reasons. The participants in the coalition are more or less satisfied with the arrangement and are determined to make it work. President Betancourt himself is a genuinely popular figure, whose reputation has been building up over the years. There are other important personalities within the coalition who have their own political ambitions, and there is therefore a scrambling to get credit for what the coalition does. On the whole, however, the coalition figures are working together as well as could be expected.

Whereas under the Perez Jimenez regime Venezuela was governed by a military dictator employing torture, and whereas Government administration was shot through with bribery and mismanagement and the army was chafing under its civilian "advisers"; under the present coalition, Venezuela enjoys greater freedom of press and assembly, an absence of torture, a reduction in bribery, and an army which has adopted a "wait and see" attitude.

The members of the coalition regard themselves as revolutionists. They take an enormous pride in having overthrown Perez Jimenez. They are toughminded. They have already put down several threats to their control. Unless they make a great many mistakes or unless worldwide economic conditions change markedly, President Betancourt has a chance to serve out his term of office, 4 more years. The coalition will have to continue to act skillfully to insure the neutrality of the armed forces.

It should be emphasized that Venezuela has a long way to go in developing a smoothly working democracy. One of the things which favors the development of democracy is that its political parties have traditionally been well-organized and well-disciplined. Each political party has its functional section; that is, members in labor unions, members in business, members in the professions. To put the matter another way, each economic institution—whether it be a professional organization, a teacher's association, a labor union, or a businessman's association—has within it party cells, groups representing each of the major political parties. This form of organization represents something of a safeguard against subversion. In a given organization, say a teacher's association, there may be a Communist Party cell. There will also be, however, a cell of each of the three coalition parties, who

take seriously their function of watching out for the political orientation of the teachers' association.

As mentioned earlier, the armed forces of Venezuela are neutral at the present time. They are not completely controlled by the civilian government, but they are standing by, desiring to give it a chance to function. Many of its former politically ambitious leaders, however, have been sent out of the country either in exile or as ambassadors. The armed forces are unlikely to intervene in political affairs in Venezuela, unless some very serious event causes such action, such as a falling apart of the coalition, or a prolonged oil strike, or a deepening of the foreign exchange difficulties of the country. The armed forces would hesitate for a long time to intervene because they know that the civilian population, having just overthrown a dictatorship, will resist with arms and will undertake a thorough general strike. Military personnel are comfortable in their jobs and their magnificent officers' club in Caracas. They have no influence in the press and radio. They have no ideology which holds them together as a political force. In addition, the usual rivalries among the branches of the armed forces assist the civilian coalition in keeping them in line.

FRIENDLY RELATIONS WITH THE UNITED STATES

I was courteously received. I have the impression that anti-U.S. feeling has died down somewhat. In serious political conversation, however, one runs into comments about U.S. "support" for Perez Jimenez, Trujillo, and alleged lack of support for "democratic countries." Most non-Communist Venezuelans also think that the United States has neglected Latin America, including Venezuela.

The following line of thinking seems to be typical: The United States furnished assistance to Europe after World War II for political reasons and primarily on account of the danger of communism. The United States has had a similar reason for its aid to underdeveloped countries in the Middle East and Asia. In Latin America, so the argument goes, the Communists were not much of a problem so the United States tended to ignore the political and social demands of the majority of the people there and was satisfied by the dictators who ran most of the countries. Thus, Venezuelans say, U.S. interest in Latin America was mostly economic not political. U.S. investment was favored by dictators. Dictators held down economic development against the larger interest of the masses. Under the Latin American dictators U.S. economic imperialism, as exemplified in the view of Venezuelans, by the exploitation of the oil resources of Venezuela, held full sway. In summary, these typical Venezuelans think U.S. policy has tended to identify itself not with the people of Venezuela, but with governments friendly to U.S. business.

This kind of thinking about economic policy is usually accompanied by some rather bitter remarks about U.S. "support of dictators." I might illustrate this latter point by recalling that during a brief conversation with a very high Venezuelan Government official, he mentioned five items: The renting of a plane by Cubans in Miami for the dropping of leaflets on Venezuela (they goofed or were scared and dropped them on Curacao); the vocal support by certain U.S. Members of Congress of Trujillo; President Eisenhower's visit to Franco; the existence of 2 million refugees from Spain in Latin Amer-

ica; and the decoration which the U.S. Government gave to Perez Jimenez.

It does no good to try to argue Venezuelans out of these assertions. They have these things firmly in their basic beliefs. For instance, the word "capitalism" is a dirty one in Venezuela because it is associated with unpleasant things, from their point of view, and because nationalist sloganeering against "Yankee-dollar imperialism" has sunk too deeply. The word "revolution" on the other hand is a good word. It means a change toward a better life. The United States must take account of these habits of thinking in our policies and in our information programs.

On the whole, relations between Venezuela and the United States are good now. There are outstanding problems, of course: the oil import restrictions imposed by the United States, the desire of Venezuela to renegotiate the trade agreement between our two countries, her need for technical and capital assistance and the irritation felt by Venezuelans regarding U.S. policies toward Latin American dictatorships. We shall have to work hard at solving these issues.

DIVERSIFICATION OF VENEZUELAN ECONOMY

Oil has been responsible for Venezuela's growth and many of its problems. Over 90 percent of the country's foreign exchange comes from this source. Two-thirds of all Government revenue comes from oil. Paradoxically, the oil industry employs only 45,000 people out of a population of 6 million. The Government is therefore seriously concerned about the lopsidedness of the economy. Government economic plans are based on diversification. They prepare for the day when the oil will run out, or, more immediately, for the possibility of dislocation in the oil industry which would have disastrous effects upon the country in its present state of imbalance. Oil revenues will be used to develop agriculture and industry.

The possibilities for industrial development are good. The country has iron ore and natural gas in combinations, which have great potential. There is already a steel plant under construction 300 miles up the Orinoco River. Water power is also available there. The potential in the petro-chemical industry is great.

The task is to coordinate oil revenues and the development of industry so as to provide jobs for the people. Too many are now on the Government dole. Many of these are country people who, despairing of the wretchedness of their life in the backward agricultural regions, come to Caracas and other cities in the hope of finding something better. They are attracted by this possibility, by the greater interest of life in the cities, and by the knowledge that the Government will not allow them to starve. The hillsides around Caracas are studded with thousands of shacks in which these unfortunate people live.

TEMPORARY ECONOMIC STRESS

Venezuela is now going through a severe economic crisis. Foreign exchange losses have been very substantial. The causes of this situation are several. In the first place, Perez Jimenez left a mess in his wake. The revolution was accompanied by chaotic conditions and there was, of course, uncertainty in the minds of business people.

Now that political stability has returned, there has been some improvement in construction, industrial, and commercial activity of all kinds.

Another cause of the current economic difficulties is the fact that people who had money and who were worried about the future of the Government sent a lot of it out of the country to what they thought would be safer places. This flight of capital was also aggravated by the Government's policy of delaying payment on the debts incurred by Perez Jimenez and by uncertainty for a time as to what the Government's policy on labor would be. These unfortunate circumstances happen to coincide with the worldwide temporary surplus of oil which, of course, affected Venezuela immediately.

The cost of living, always high, has continued to rise and unemployment remains an urgent problem. High prices in Venezuela got started in the days of the oil rush and they were never corrected in the 1930's because Venezuela never really suffered from the worldwide depression. These factors, coupled with small local production and overprotection in some cases for local industry, mean that Venezuela has suffered and will probably continue to suffer for the foreseeable future from a very high price level.

There is a good chance of meeting the financial crisis by a combination of import controls on nonessentials and by some temporary borrowing abroad and at home (through a scheme of prepayment of taxes by oil companies).

ECONOMIC PLANNING

In the days of Perez Jimenez there was no economic development plan worthy of the name. The dictator built for show. The Betancourt government, on the other hand, has a reasonably well-thought-out financial and economic development program. This is well illustrated by a statement by the Minister of Finance, Dr. Mayobre, which he made in November 1959. This statement can be read in full in appendix I of this report.

Venezuela needs additional investment in many fields and the priorities can be arranged in different ways. A common ordering of them follows: schools, roads, agriculture, housing, and health.

The plan to diversify the economy so as to eliminate the present complete dependence on oil must undo a lot that Perez Jimenez and his predecessors did wrong. The planners appear to have adopted the philosophy that the Venezuelan economy should be a mixed one; that private enterprise should take on the bulk of the industrial responsibilities with the Government concentrating on such things as roads, sanitation, hospitals, and the like. One need is for more banking facilities which can make loans to industry. The Government has set up a fund to encourage this. The Government intends to let the existing private utilities systems go on operating but to operate new water and electric systems itself. Telephones will continue to be operated privately.

Government planners perceive the need for and welcome technical assistance in Government administration in many fields.

All this is in great contrast to the investment ideas of Perez Jimenez, such as a new railroad which is already rusting because it parallels a main highway. The Betancourt government realizes that there must be some dramatic public works for political reasons and to re-

lieve critical unemployment in spots, but the main emphasis is on building things of long-range value like roads, schools, and agricultural works.

In regard to school investment, the immediate priority probably should be given to trade schools and technical schools so that students can go quickly into industry where trained workers are badly needed.

THE TRADE AGREEMENT ISSUE

Venezuela desires to renegotiate its trade treaty with the United States. It seeks to make more difficult the importation of items which Venezuela is now producing or hopes soon to produce. Its high-cost economy means that only in the production of oil and iron ore can it compete at the moment in the world market. Nevertheless, its people cannot be idle, so Venezuela must protect its infant industries from foreign competition.

Under the present trade arrangements with the United States, Venezuela gets a preferential treatment on its exports of oil and a few other things to the United States, and the United States gets preferential treatment on the export to Venezuela of a long list of agricultural and manufactured items. The treaty is out of date. A number of U.S. products which are on the free list are produced by new industries which Venezuela believes are very important to its own people. In the revision of the treaty Venezuela will be willing to substitute a new list of products on which the United States can have preferential treatment if the United States will agree to take off the free list certain items Venezuela feels need protection.

The U.S. Government should take more initiative in this matter. It is true that we technically await a request from the Venezuelan Government for the beginning of negotiations. The Venezuelans are supposed to be thinking about what they want to ask us, but they will need help in this process and we should not deal with them completely on the traditional arm's-length basis.

The Venezuelan Government recently put import license and quota restrictions on a number of items. These fall into two classes. There are luxury items like whisky, cigarettes, passenger cars, radios, TV sets, cameras, and films. These are limited in order to save foreign exchange.

In a different category are items under import restrictions which Venezuela ultimately hopes to produce itself, like dried milk, peas and beans, wheat flour, hams, canned foods, baby foods, canned fruit juices, and copper wire. On some of these, some local production is already under way.

The United States might as well recognize that diversification and protection of infant industries and agriculture are typical needs of underdeveloped countries. We should also remember that as countries develop they will become better customers of the United States than they are in their underdeveloped condition.

Economic development can be assisted by appropriate trading policies or by grants and loans. A judicious combination of both methods is necessary. It is far cheaper for the U.S. taxpayer if economic development can be assisted through appropriate changes in trading patterns rather than by grants and loans. The revision of the United States-Venezuelan trade agreement has been too long delayed.

STATUS OF U.S. PRIVATE INVESTMENT

U.S. oil interests in Venezuela are now splitting profits at about 37-63 on the average. The change from the old 50-50 split was made for nationalistic reasons, a shortage of revenue and out of concern over the depletion of resources. The Government states that there will be no further reduction in the take-home share of the oil industry because the Government realizes that this would make Venezuelan oil less competitive in the world market.

U.S. investors have too long thought only in terms of oil. They are overlooking other important possibilities. The Guiana area of the country has a possible 4 million kilowatt hydroelectric-power potential and the Orinoco region has great possibilities of applying electric power to iron and aluminum-ore resources.

U.S. businessmen should, however, not think in terms of raw-material extraction only. Venezuela has the potential of going through the same sort of development with respect to U.S. trade as Canada has done. If we do not take advantage of the opportunities, they will certainly be utilized by European traders. To this end, U.S. financial resources either Government or private should be made available to Venezuela so that it can industrialize. It is estimated that Venezuela will need financial assistance in the neighborhood of \$200 to \$300 million in the next couple of years in order to get over its temporary economic difficulties and embark on sound economic development measures.

Loans to Venezuela are a political issue there. Some do not wish foreign loans. They would prefer to get over their temporary financial difficulties by increasing the amount which they "borrow" from the oil companies.

It may well be that Venezuela's economic potential is attractive enough to private investors so that a U.S. Government loan would not be necessary. If that proves not to be the case, the Export-Import Bank or the Development Loan Fund should not hesitate to step in. Venezuela's need is to rapidly generate more industry and other economic activity to employ more of its people. Business makes jobs and jobs make more business.

Venezuela probably will continue for some time to be the best market for U.S. agricultural products in Latin America. I had an opportunity, through the courtesy of Dr. Eugenio Mendoza, to visit an efficient new feed mill which processes U.S. ingredients into profitable feeds for livestock.

A word of caution is in order with respect to oil investments. The oil companies in Venezuela have slowed down their exploration at the present time, but this is in large part due to the worldwide oil surplus. Nevertheless the U.S. oil people are somewhat pessimistic. They support the Betancourt coalition strongly, because they realize if it were overthrown the political direction would be further to the left. They are cooperating in the prepayment of taxes in order to help the Venezuelan Government in its temporary financial crisis. They worry about the known desire of some non-Communist politicians to nationalize the oil. They think that this financial crisis could be greatly eased if Government spokesmen would stop saying—either because they believe it or because they feel it's necessary for domestic political purposes—things like "U.S. business can go home for all we

care." A statement like that can make potential foreign investors in Venezuela delay a long time until the air clears.

COLOMBIA

POLITICAL MIRACLE

To appreciate what is happening in Colombian politics today it is necessary to review a little history. Colombia has been independent nearly as long as the United States. During most of its history, two political factions or parties have been rivals for control: the Conservatives and the Liberals. There has been great bitterness and much bloodshed as a result of this competition for power. The Conservatives were in power for about 30 years ending in 1930. Then the Liberals took over and remained in office until 1946.

From 1946 to 1953 neither of the parties could gain undisputed ascendancy. The result was chaos and a combination of guerrilla warfare and banditry in which thousands of people were killed. It was something of a relief when the military, hitherto not a major factor in politics, took over. Rojas Pinilla took over as head of the Government. After a few years he attempted to perpetuate himself in office and became dictator.

In 1957 Rojas was ousted and the Liberals and the Conservatives jointly embarked on a brand new political experiment. The Colombian Constitution was changed to provide that for a period of 16 years the Liberals and Conservatives would alternate every 4 years in running the Government. The two parties formed a national front. The Liberal Party was given the first opportunity to wield power and the first President has been Lleras Camargo. President Lleras is an extremely able man who is dedicated to making the principle of alternation work and to the building up of his country. The political miracle is that in view of the long history of bitterness between the two political parties, it was possible for them to agree upon this unique peaceful evolution of political control.

Is this a new form of democracy? The unique aspect of it is that the two parties have agreed to alternate in power for a fixed period of years, thus eliminating competition for votes during that period. Other forms of competition are not really eliminated, just postponed. The principle of party parity is substituted for the previous practice of these who were "out" using violence to try to get "in." The theory of this experiment is that if 16 years can go by without violence and the people become educated to the new system, it is possible that the habit will stick.

This new concept may have application elsewhere. Of course, the Communist Party could never be one of the two parties participating in such an alternation because, once in, they would never willingly get out.

There are obvious difficulties with the experiment, and it will take a long continuation of the present good will for it to work. One difficulty which is already apparent is that the Liberal Party is presently more numerous than the Conservative Party. There is a temptation therefore for Liberals to say to themselves that they could win control of the Government by the weight of their number and need not adhere to the principle of alternation.

The Communist Party is relatively weak in Colombia compared to some other countries in Latin America. There is no known Communist member of the Colombian Congress. The party tries to infiltrate the labor unions and student groups and is having some success at exploiting the gap which exists in Colombia between the rich and the poor. The Communists are active in one of the two major labor federations but they are not dominant. It may be that the Soviet Union could use trade as a weapon to assist the local party through some such means as buying up the whole coffee crop some year when the price weakens.

The armed forces in Colombia are not playing a strong role now. It was with reluctance that they intervened in 1953 to end the period of chaos. The military are presently loyal to the new national front. Most military officers are politically neutral, but tend to be conservative in their views. President Lleras has been careful to provide them with no grievance.

PROSPECTS

On balance one can be cautiously optimistic about the future of the political experiment in Colombia.

There is, of course, bickering within each of the two parties and between the parties. The national front will have to show some fairly rapid progress in raising economic productivity if the standard of living is to keep pace with the population increase. The maldistribution of wealth, social status and privileges will have to be corrected to some visible extent quite soon. Land reform is a pressing problem. Violence in the countryside continues to be such a problem that five out of seven Provinces are dangerous to travel in, but this is nonpolitical banditry now.

The foregoing weaknesses in the present situation are more than balanced by several strong points. The national front promises to provide 14 more years of political stability. The economy of the country is basically sound. Inflation has been slowed down and the balance of payments situation is satisfactory. The country is fortunate in having for 2 more years a President who is popular because of his work and his integrity. Finally, there are no serious foreign relations problems.

In summary, Colombia is going through the same political, economic and social upheaval as other countries of Latin America, and there is a moderate approach which appears to have an excellent chance of success.

RELATIONS WITH THE UNITED STATES

It is seldom that a visiting Member of Congress sits down with a president and a foreign minister, and is told that there is no serious problem with the United States. It is indeed gratifying to report this fact.

Great friendliness was shown me in Colombia. Without any suggestion or initiative on the part of the U.S. Embassy, I was invited to address both the Senate and the House of Representatives of Colombia.

I noticed, much less frequently than elsewhere, comments by Colombians on "U.S. support of dictators." This was a welcome change and I attribute it to what I was told about the relations between the U.S. Ambassador to Colombia and the dictator, Rojas

Pinilla. Ambassador Bonsal was chillingly correct with the dictator and this was appreciated by opponents of the dictatorial regime and is remembered by Colombians now.

U.S. activities in Colombia are subject to the same general criticisms that can be made elsewhere; namely, that U.S. assistance programs stop and start frequently and are not planned well enough and far enough ahead; that local problems are allowed to fester too long while Washington makes up its mind; and that special missions sent out from Washington at a high level frequently raise hopes in countries en route but let down hopes when nothing happens later.

ECONOMIC FUTURE

Colombia is a coffee country (80 percent of foreign exchange earnings), but is being industrialized fairly rapidly. Oil production is small compared to Venezuela but is becoming more and more important. Since 1955, when the economy and foreign exchange reserves fell to a low point due to a drop in world coffee prices, the situation has been gradually improving.

The balance of payments is now fairly satisfactory, but it is hard for the Government to continue some of the import restrictions which have been helpful in righting the imbalance. For instance, only 500 passenger cars were imported in 1958, and some of the taxis in Bogota are virtually falling apart.

Diversification of production is badly needed, as all observers and responsible Government officials seem to agree. Since the country has responsible management of its finances and has never confiscated foreign investment, it is able to get help easily from the foreign commercial banks and from the Export-Import Bank and the World Bank. One Export-Import Bank policy which I was told about ought to be reappraised; namely, the policy against financing oil-equipment imports into Colombia. The larger oil companies can finance themselves in this regard, and that means the smaller oil producers are greatly handicapped.

The climate for foreign investment in Colombia is good. The market of 14 million people, the increasing industrialization, the favoring attitude of the Government, the stability of the Government, the laws favorable to new investment, the import restrictions which protect infant industries, the large supply of good cheap labor, and the reasonable attitude of the two major labor union federations, are all favorable factors. On the negative side, there is the possibility that the national front will fall apart; there is some sentiment to restrict investment to "productive" investment (which may exclude some categories, but probably wisely for the good of the country); and it probably will be hard to get a license for a foreign investment which competes with a locally established business. Weighing those pros and cons, Colombia looks like a good place for American business to investigate thoroughly.

Colombians who raise and ship coffee are enthusiastic about the new international coffee producers agreement. They feel that it promises stability in a commodity where instability is playing havoc with many Government finances. Colombians are grateful for the help of the U.S. Government in bringing about the conference on the subject and assisting in the working out of the producers agreement.

Due to improvements in sanitation and land utilization techniques one should look to rapid development of the low coastland of Colombia for agricultural purposes. In years gone by these coastlands were too unhealthy to be used.

LAND REFORM

While I was in Bogota, two conventions were in progress. One was a convention of landowners. The other was a meeting of representatives of rural workers. Both organizations had on their agenda the topic of land reform. This shows an awareness of a problem which is also at the top of the list in other Latin American countries.

The situation in Colombia is not as critical as it is in Venezuela or Bolivia, because a greater percentage of Colombians own their own land. The explanation seems to be that coffee production is economical on small family farms.

In Colombia, as in other Latin American countries, the founding Spaniards brought their own feudal landholding methods with them. Political and social revolutions are now sweeping this structure away. This is a non-Communist movement in most countries at the present time. The Communist Party would like to get hold of it and exploit it, as it has done in Cuba. It has not been able to do so in Colombia.

Surprisingly, initiatives for land reform in Colombia are supported by many large landowners. There was a big controversy over this subject in the meeting of landowners in November 1959, to which I referred earlier. Those who support land-reform proposals point out that if something is not done about the problem soon, landowners will risk having happen in Colombia what has happened in Cuba.

An important element in land reform in Colombia would be to change the method of taxation of land. At the present time the tax is imposed upon the use of the land and not on the land itself. There is, therefore, incentive to avoid taxes by allowing land to remain unused.

The proposal now being widely discussed would change the tax system by imposing the tax on the land without regard to whether it is used or not. The tax rate would vary by locality and according to the various uses made of it. Each landowner would place a value upon his land against which the tax would be levied. The Government would have the right to buy the land at any time at the value which each owner placed upon it. It is thought that this system will eliminate a large bureaucracy of assessors, because the landowner will have a good reason to place a fair market value on his land.

The Government tax revenues under this scheme would be used from time to time to buy land believed undervalued in order to keep the system operating fairly. Such revenues would also be used to put into cultivation and private ownership large tracts of Government-owned land now uninhabited but open for homesteading. It would also be used for the building of new roads to open up agricultural lands to urban markets. This tax reform should encourage the selling of unused land, and the Government may institute a program of loans to farmers to help them purchase land.

The attitude of the Government of Colombia on the land-reform problem was outlined by President Lleras in a speech on November 26, 1959. The moderate, reasoned approach of President Lleras is worth being brought to a wider audience, and I have, therefore, included the

speech as appendix II to this report. If the Government moves along these lines, I am hopeful. This policy is one which must be watched closely.

I was not able to check on the extent of landownership in Colombia by U.S. investors. As is true elsewhere in Latin America, however, any thoroughgoing land reform is bound to affect some American interests. Most any land-reform program, reasonable or not, leads to outcries of "Communist expropriation," whether or not this is actually the case. As the Government of Colombia moves to do something about the landownership problem, we must be cautious and open-minded about the solutions reached. We should bear in mind that the alternative to an orderly solution is probably a bloody revolution.

ICA INDUSTRIAL MANAGEMENT PROGRAM IN COLOMBIA

While I was in Bogota there was in progress an Institute for Scientific Management that interested me very much. This was a seminar in which some 85 managers (not owners) of businesses in Colombia had gathered for 2 weeks to hear a series of lectures by Prof. George Smith of the United States, and to engage in discussions of industrial-management problems, using two standard American texts on industrial management. The course lectures were in English, and ICA had made arrangements for simultaneous translation into Spanish.

The average age of the participants was about 45 years. They represented such businesses as a plywood-manufacturing concern, a papermill, and an insurance company. They all seemed to feel that they were getting a great deal out of the course.

The seminar was financed by a contribution by ICA of \$5,000, a local business contribution of \$12,000, and the payment of a tuition fee for each participant.

The objectives of the program in Colombia are to provide for the exchange of viewpoints between Colombian management and business leaders from the United States in order that a broader understanding may be reached concerning the factors involved in furthering industrial and commercial development and increased productivity; to encourage top management to support and work toward the improvement of training in business administration at the universities of Colombia; and to encourage formation of a management association in Colombia which will work for the advancement of scientific management within the business community. Other industrial management programs having similar objectives are being carried out in Chile, Guatemala, Costa Rica, Cuba, Panama, Israel, Spain, Yugoslavia, Japan, and the Philippines.

The program in Colombia has made good progress. ICA has assisted in the establishment of a management association in the cities of Bogota and Medellin. The groundwork has been laid for the establishment, with Colombian Government sponsorship, of a school of industrial management to be located in Medellin. ICA has financed the sending of two groups of Colombians to the United States for study: a group of managers and executives for a period of 6 weeks to study industrial management and a team of six Colombian fiscal experts for 6 weeks of study of commercial and investment banking, with emphasis on the formation and flow of private capital. These

APPENDIXES

APPENDIX I

ECONOMIC AND FISCAL SITUATION IN VENEZUELA

(By Dr. José Antonio Mayobre, Minister of Finance, Caracas, November 1959)

In the last few months, public opinion has grown increasingly concerned with the general economic situation and with certain events that have spread momentary alarm in certain groups of the population. The National Government, for some time, has intended to give a clear report on what, in its opinion, the true situation is, what is the nature of the problems that affect us, and what measures the administration is taking and proposes to take for the purpose of keeping the Venezuelan economy on solid foundations and of seeing that only a minimum of discomfort is caused by the process of adjustment that is now taking place.

Objectives of our economic policy

It is appropriate in the first place to explain, albeit succinctly, what the objectives have been and are of the economic policy of the democratic government, and particularly of the constitutional government that assumed the leadership of the country barely 9 months ago.

The first and basic objective of our economic policy has been to maintain a rate of growth that will permit a substantial and continuing increase in per capita income and at the same time achieve diversification of the country's economy and full utilization of its natural and human resources. To this end, the Government has been encouraging agricultural and industrial activities, to directing public investment to works that will be income-generating over a short or long term, and to improving the sanitary and educational conditions of the population. With this purpose, the Government has devoted considerable sums to agricultural and industrial credit. This year the Agricultural Bank has granted credits for the various crops and for stockraising in amounts greater than those of many previous years. The Venezuelan Development Corporation last year started a bold policy of industrial credit by granting loans to private enterprises amounting to more than 106 million bolívares.¹ The cattle-raising plan is being carried out and will continue to be carried on with the greatest possible financial support of the Government, and there already is in effect a program of credits to small industry and to craftsmen, to improve the conditions under which these hitherto neglected branches operate.

Besides granting credits, the Government has not hesitated to work out and put into effect a strong protectionist policy, so that the domestic market may be supplied more and more with products of our own country, since the peculiar circumstances of our foreign trade and the low productivity still predominating in the internal economy force us to neutralize the effects of the high purchasing power of the currency and high domestic production costs, which are inducements to excessive importation. At the same time, the Government agencies, as well as the Venezuelan Development Corporation, the Agricultural Bank, and the National Agrarian Institute, are providing technical assistance on an increasing scale to private operators in industry and agriculture. Investments in public works are being directed more and more toward those projects that will result in progress for the economy; such as highways, rural roads, irrigation works, ports and airports, school buildings and sanitation works. The country knows that the Government's expenditures for education, public health, and social welfare have been tripled, in order to face up to the terrible problems the dictatorship left in these fields.

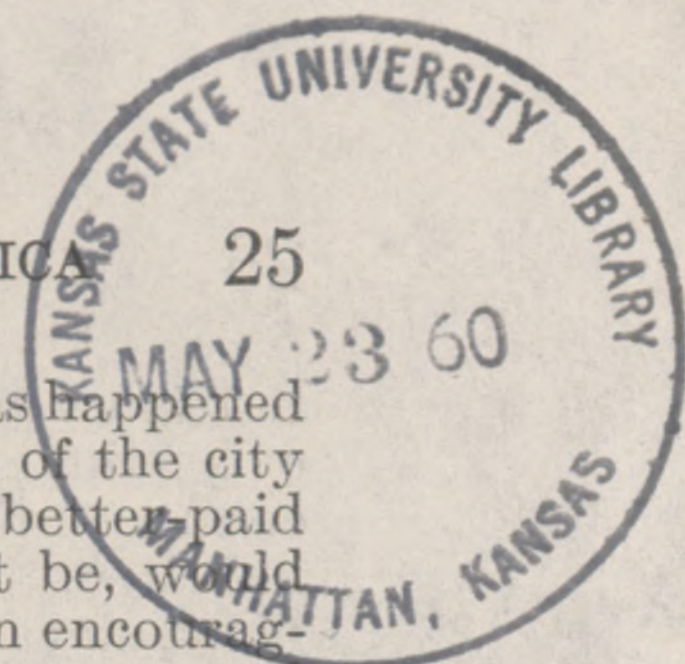
¹ 1 bolívar, the monetary unit, equals approximately 30 U.S. cents.

A second objective of the economic policy has been to achieve a better distribution of income among the various sections of the population. During the last 10 years, the distribution of income between capital and labor had been growing worse. According to the statistics of the Central Bank of Venezuela, the share of capital and management in the national income, which was 38 percent in 1950, rose to 43 percent in 1957; in the same period labor's share went down from 62 to 57 percent. Such a trend represented a danger for our economic and social future. Aggravation of the disparity in the distribution of wealth in many countries has constituted, from the economic point of view, a brake on the development of national production, since, on the one hand, the growth of the consumption market becomes relatively limited in the course of time, and, on the other hand, the centralization of wealth in a single population group invariably leads to luxurious spending or to investments that are not very productive. Moreover, and this is a fundamental point, the social injustice reflected in the inequitable distribution of income prepares the ground for social disturbances that imperil the stability and progress of the nation.

From the beginning, the democratic government conscientiously devoted itself to changing the trend that had been predominating in the last few years in the distribution of income, and it has strived at all times to do this by legal and peaceful means and to avoid at all costs the stirring up of conflicts that could sow doubt or distrust in the country's investment circles. Through a wise labor policy, a better income situation has been achieved for workers in private enterprises. The increase in salaries of workmen and employees in the civil service, even at the cost of larger expenditures by the National Treasury, has been made in the knowledge that it was a question of compensating for an injustice done to Government workers, who were neglected for 10 years. It is gratifying to note that in 1958 labor's share in the national income rose from 57 to 63 percent and the share of capital and management dropped from 43 to 37 percent, that is, to levels similar to those of 1950. Naturally, this policy cannot be carried to such an extreme that it would endanger the productive investment that is going to provide work for our growing population. The Government believes that it is necessary, from now on, to maintain a fair balance between labor and capital with regard to remuneration, and that it is desirable and advisable for the future of our economy that, in general, increases in wages and salaries in the future should correspond to a parallel increase in productivity, so that the improvements produced in the incomes of the working groups at the same time represent an increase in the volume of goods and services that the country produces to meet the needs of the entire population. I believe that national public opinion would agree that if there is one thing in which the Government has been successful, it has been by carrying out, with a minimum of conflicts, this necessary policy of social justice.

Naturally, there are serious problems to solve in the field of welfare for the working classes. Every day we hear complaints and claims about unemployment. Nevertheless, it is necessary to clarify the problem. There has been one group, the construction industry, in which there certainly has been a definite situation of unemployment. This is due to the fact that during the previous years this industry was abnormally swelled by the magnitude of the public works in the nation's capital, by their hasty completion, which led to employment of more than the normal number of workers, and by a direction of public and private investment toward the construction industry to the detriment of industrial and agricultural investment, with obvious danger to the nation's economic future. The nation is also well aware of the phenomenon by which manpower employed in public works by the dictatorship showed strong seasonal variations, based on great activity in the last months of each year, because of deadlines for the completion of works (for political propaganda and celebrations), and complete inactivity during the first half of the following year. The readjustment that has been taking place in the construction industry has resulted in the dismissal of workers whom the Government has had to protect, in order to avoid serious social repercussions, through the so-called emergency plan or special works plan, which it is now definitely terminating. At the present time most of these workers are being regularly employed on public works.

Outside the construction industry, it is obvious and well known that, under the protection of the special works plan and the high wages on public works, many workers left their customary occupations to swell the ranks of the unemployed, when actually manpower was needed in other activities. Finally, there is the unemployment or underemployment in agriculture, which is not a new but a traditional phenomenon in Venezuela and in all underdeveloped countries. The low levels of productivity and wages in the rural environment force farmers and farm-



workers to live under conditions far below those in the city, and what has happened in the last year and a half is that these farmers, attracted by the lure of the city and public works, have abandoned the fields on a large scale in search of better paid jobs. All the resources of the state, no matter how vast they might be, would not be sufficient to solve this problem definitively. The solution lies in encouraging industrial development in order to make room for the excess manpower and in improving the living conditions of the farmers so that they will not feel tempted to abandon their agricultural activities. This is what necessitated the agrarian reform that the Government has resolutely undertaken even before the law submitted to the National Congress has been approved. On Government lands, uncultivated lands, estates of agents of the dictatorship, and in some cases lands acquired by purchase from their owners, tens of thousands of farm families are being settled, and in this way we are trying to solve a serious social problem and, at the same time, a new impetus is being given to Venezuelan agriculture. Although the cost may be high in the beginning and the results of this policy may be some time in coming, it is obvious that the bases are being laid for a healthy social situation and for economic development of incalculable proportions, since, in addition to an increase in agricultural production, purchasing power is being created among the country's thousands of farmers which will provide the most reliable market for the national industry.

The cost of living

Another of the basic concerns of the Government is with the high cost of living. Exaggerations aside, undoubtedly there has been a recent rise in the prices of several essential products, although it should not be forgotten that in many cases it is a matter of seasonal rises during periods of temporary shortages of these products. The problem is not easy to solve. There is, on the one hand, low productivity in our agriculture and our industry, which causes high costs. In the second place, protectionist measures or labor demands have generally led businessmen to pass the increases in costs along in their prices. Moreover, there are important structural peculiarities in the system of distribution of goods in Venezuela which produce immoderate rises in prices as the goods pass through middlemen. The Government is studying and taking measures to overcome all these problems and to see to it that the cost of living does not continue to rise disproportionately. The focal points of this policy are, on the one hand, the consumer, and, on the other, the producer, who must have sufficient encouragement to increase his activities. It is not a question of ruining the middlemen's trade, which fulfills a recognized economic and social function in the distribution of the product, but of avoiding disproportionate profits that discourage producers or reduce the real income of consumers.

Housing

Finally, another of the serious problems which concerns public opinion is the housing question. Again, this is not a specifically Venezuelan problem. As the President of the Republic said in his speech to the Labor Congress, in all countries of the world, developed or undeveloped, capitalistic or socialistic, the problem of housing is one of the most serious of this era. In our country, with the explosive growth of the population at a rate of 4 percent a year, and with the unexpected development of the principal cities, the enormous increase of the number of huts and shanties has reached alarming proportions, as is happening in almost all the Latin American capitals. Despite the sacrifice of public funds which are represented by the large expenditures needed to approach a solution of the housing problem, the Government has not hesitated to face it and housing units are being built all over the country for workers and for the middle class, large amounts being devoted to granting credits to individuals for the same purpose. The endorsement policy of the Workers Bank and the Venezuelan Development Corporation is another of the instruments with which we have tried to meet this situation. But it is convenient to know that it will not be possible for many years to solve the shortage of housing, completely and satisfactorily, and that this solution depends on the increase of real incomes as a result of economic development. I emphasize that there is no underdeveloped economy that has sufficient resources to solve the serious housing problem in a short time.

Natural resources

The third goal of the official policy is maximum utilization of the country's natural resources, especially the mineral and hydrocarbon resources. Our policy in this direction is clear. Concessions, as they have been known until now, will not be authorized in the future. The country has a basic interest in the

maximum possible elaboration and industrialization of its raw materials. Moreover, the relations between the state and the oil companies established in the country must be harmonious and must achieve progress and well-being for the industry, and an opportunity for it to continue developing without serious conflicts, since the production of hydrocarbons is, and for a long time will continue to be, the basis of our prosperity and development. In this situation, temporary difficulties may arise, as happens in all fields of economic life, because of different ways of looking at the problems of the industry. But these differences will never be an obstacle to the final achievement of a situation satisfactory to both parties. The Government has been explaining through the appropriate official agencies the general lines of its policy in regard to hydrocarbons and mines, and there is under study a declaration to be made by the Government in consultation with the coalition parties, on the lines of conduct that it should follow in relation to the development of the iron industry and for the utilization of hydrocarbons in the petrochemical industry, in such a way that these resources may be availed of fairly by the state and by private enterprise.

The present economic situation

Now let us take a look at the present economic situation. In the first place, we must say very sincerely that in the last few years Venezuela has been living and spending beyond its resources, and that such a situation as has been going on cannot be continued any longer without giving way to uncontrolled inflation.

As regards fiscal matters, the Government of the dictatorship in its last years incurred a sizable budgetary deficit. Those who today are superficially criticizing the Government for the level of state expenditures forget that the dictatorship, in its last years, spent sums as large as those of the present, and that it carried out its public projects on credit leaving payment responsibilities to the democratic Government of today. Through this process of hidden debt, and with the extraordinary income from the sales of petroleum leases, Government spending was raised to fabulous amounts. The present Government has had to meet the payment of the debts and, at the same time, it has been obliged to maintain a high budgetary level in order not to provoke a violent economic crisis, since by reason of the political change itself and because of the condition of the international petroleum market, which has weakened in the last year and a half, private investment has not increased sufficiently to permit the Government to lower its expenditures without running the risk of provoking a catastrophic drop in national economic activity. Moreover, private enterprise had also taken an extreme and dangerous direction in the last few years. The operations in land and real-estate development in the capital and suburbs were out of proportion to the potential market of buyers. Many enterprises made optimistic estimates in the expectation that the situation would improve in the course of their operations and without observing elementary rules of business security and foresight. At the same time, the consumers have been growing accustomed to superfluous and luxurious expenditures, often beyond their real capacity. While these phenomena, fortunately, have been limited, as far as businesses are concerned, to certain sections, it was to be expected that there would be a readjustment that would put our economy in a healthier condition. Some factors have been in operation since last year that tend to produce this adjustment. Among them we may mention particularly the decrease of petroleum investments, which are a basic factor in the Venezuelan economy, as a result of the weakening of the international petroleum markets. The increase in the income tax partly offset this drop in investments, since the oil companies have had to bring more money into the country to pay the taxes. Another factor tending toward contraction has been the apprehension of investors and merchants, particularly those with liquid funds, with regard to the political conditions of the country.

Undoubtedly a good deal of Venezuelan capital was not accustomed to life in a democratic country in which the labor unions present their demands, the newspapers freely express their opinions, and exaggeration is commonly indulged in. Hence the hypersensitivity of certain groups toward phenomena that are normal in all countries and startle no one. This reaction has been aggravated in Venezuela by an excessive credulity toward unfounded rumors. All this caused an exaggerated flight of capital, the placing of liquid funds abroad to meet future obligations when there was no need for it, and abstention by some investors. It is fair and satisfying to confirm that this has not been the case in agriculture, stock raising, and industry. Planting in the country has increased considerably and we are on the way to being self-sufficient, within a relatively short time, in numerous essential products. In stockraising, despite the temporary adversity of natural

factors and with the help of the plan of credit for this activity, sizable investments are being made; and in industry, national and foreign capital is being invested on a large scale. In the first 7 months of this year, industrial investments in the Federal District amounted to nearly 400 million bolívares, which is a record in the industrial history of the country. Thus the alleged economic malady may be considered to be restricted to the real-estate development and construction industries, in which a certain readjustment was necessary, and to the phenomenon to which I shall give particular attention, namely the foreign-exchange situation.

The balance of payments

In 1958 the country's balance of payments was unfavorable. Our international reserves diminished by \$390 million. This phenomenon could be explained by various circumstances, such as the increase in imports as a result of the increase in domestic consumption, the political flight of capital, especially caused by agents of the former Government, and, particularly, because large sums were paid on account of obligations that fell due, inherited from the dictatorship and incurred with no sense of responsibility.

In 1959, the phenomenon of a drop in the reserves continued, although more, moderately, during the first 9 months of the year. By the end of September the reserves had dropped about \$180 million from the level of the previous December; but after September there was an increase in the outward movement of foreign exchange that obliged the Government and the Central Bank to examine the situation with a view to avoiding a continuous loss of international monetary resources. The determining factors in this situation may be summarized as follows: first, a strong increase in imports that is normal in the months preceding Christmas, but which reached an unusually high level this year; second, the continued exit of capital that had come into the country for speculative purposes, but which did not find a market for that kind of operations; third, the higher than usual debt payments, or the foreign placement of liquid funds, on the part of importers, to meet their obligations, which have raised the credit ratings in the American market to record heights; finally, the nervous departure of some capital that unjustifiably feared a worsening of the petroleum situation or suspected that Venezuela, in view of the loss of foreign exchange, might resort to devaluation of the currency.

The Government's position toward this fact has been and is perfectly defined. It is neither advisable nor necessary for Venezuela to devalue the bolívar. Devaluation would mean purely and simply loss of the foreign purchasing power of our currency, and as a result we would have to pay more for the machinery, equipment, and raw materials that we import for agriculture and industry, and for the essential products that we buy abroad. It would also mean a drop in the real income of the people who receive wages and salaries from those who have fixed incomes, and that would give rise to a series of social conflicts, since the workers would strive to make up for the drop in their real income through pay raises. Moreover, Venezuela does not need devaluation in order to improve its competitive position, since the prices of its principal export products, petroleum and iron, depend fundamentally on factors other than the exchange rate of the bolívar. Furthermore, we are by no means in the position of having to devalue the currency in order to prevent an outflow of foreign exchange beyond our normal needs. Venezuela has international reserves amounting to \$700 million, the highest in Latin America. Countries with as large a foreign trade and volume of imports as Venezuela have reserves that do not amount to half of ours. The annual inflow of foreign exchange amounts to nearly \$2 billion, and with that sum we are in a position to meet all the normal needs of the country, understanding by that the imports, the services of all kinds such as freight, insurance, expenditures of students and nationals living abroad, immigrants' remittances, and so on, as well as the interest and dividends on capital invested in the country and the normal movement of capital. What has happened recently, in addition to the movement that usually takes place during the final months of the year, has been an extraordinary departure of timorous capital, advance payment of obligations, and an increase in purchases by importers.

Having taken the firm position that the bolívar will not be devalued under any circumstances, the Government and the Central Bank tried to obtain the cooperation of the banks so that they would exercise their moral influence on their customers so that they would not keep up the extraordinary outflow of foreign exchange. Some misunderstandings and poorly interpreted news reports made many people believe that a possible exchange control was under consideration. At a certain moment, an exaggerated buying of foreign exchange occurred. The

monetary authorities responded coldly to this situation. On the one hand, they denied categorically and immediately all the rumors about a presumed devaluation of the bolívar. Second, the freedom of the foreign exchange market was maintained and reaffirmed without restrictions; and finally, the orthodox policy recommended in such cases was applied, that is, a temporary restriction of the rate of credit activity of the Central Bank so that the banks would not continue to increase their placements and thereby to facilitate money that could go abroad.

Naturally this orthodox policy has had some repercussions. In economic circles the restriction of the rate of credit authorization was felt, and the banks were even accused of a lack of cooperation. The fact is that bank placements in the last 12 months had increased considerably, by more than a billion bolívares, and that this, together with the outflow of foreign exchange, which, as is logical, caused a drain on bank deposits, obliged the banks to maintain a more prudent policy in their new placements. When the Central Bank established some restriction, it put a brake on the tendency toward outflow of foreign exchange, since it impeded the granting of new credits that could be translated into new unnecessary imports or into a freeing of individuals' funds that would permit them to continue to use credit to withdraw foreign exchange abroad unjustifiably.

Foreign exchange situation

The foreign exchange position has already been consolidated. The movement of foreign exchange has been at its normal level for many days, and to achieve that it has not been necessary to resort to any kind of restrictions or exchange controls. But at the same time the Government is on the watch to prevent the outflow of foreign exchange in greater than reasonable proportions. For this purpose, the Central Bank is managing the rediscount power prudently, although we must make it clear that the highest bank of emission will continue to admit for rediscount all paper corresponding to the normal movement of national industry and domestic trade, including the payment to cover profit sharing for workers under the terms of the law regulating it.² Moreover, the Government has deemed it advisable to restrict the exaggerated expenditures of consumers on luxurious or sumptuary goods. By joint resolution of the Ministers of Finance and of Development, dated November 20, the importation of a large number of goods considered in this class has been made temporarily subject to prior license, and the legal provisions are being prepared so that as soon as possible sales taxes may be imposed on such merchandise, the tariff may be raised on many others that are not covered in commercial treaties, or certain restrictions may be maintained on products that the country may need, but whose consumption is evidently excessive. The application of restrictions on nonessential imports, and their replacement shortly by other less complicated means than the requisite of prior license, will undoubtedly permit broadening the credit policy of the Central Bank, without fearing that the increase in money in the hands of the public will be translated into unnecessary imports. Moreover, the bank and the monetary authorities intend to maintain a watchful credit policy, to prevent also the unjustified or timorous flight of capital.

I must declare with all candor, and as emphatically as I can, that the aim the Government has marked out for itself, of avoiding exchange restrictions, requires the cooperation of the public. We must ask the banks to maintain a prudent policy in their credit operations, while taking into account the normal needs of industry, agriculture, and commerce. We must ask the importers not to be excessive in their purchases, and we must ask individuals in general not to pay attention to unjustified rumors and not to take funds out of the country unnecessarily.

The Government asks the political parties and their members, especially those who belong to deliberative, legislative, or municipal bodies, not to arouse fears by presenting administrative or tax proposals that may cause greater evils than those which, in good faith, they intend to remedy by such proposals.

Fiscal situation

I shall refer now to the fiscal situation, and particularly to what is a keystone of the Venezuelan economic situation: the Government budget of expenditures. As you know, the National Congress in its regular session approved an ordinary budget of expenditures of 5,068,900,000 bolívares, which is being carried out. It

² Under Venezuelan labor law, there exists a provision for profit sharing, which imposes upon business and industry an annual additional payment to each employee in varying amounts, based upon the number of persons employed, amount of capital invested and the profits of the enterprise, with a maximum obligation of 2 months pay.

is a fact of common occurrence in Venezuelan fiscal affairs that in the months from September to March income is below the monthly average as a result of the fact that payments of the principal types of taxes are made almost entirely in the period from March to September. Expenditures, in turn, tend to increase at the same time that income declines, for reasons on which I need not comment, for it is well known that the expenditures of individuals and of the Government are larger at the end of the year.

When the previous fiscal year ended, the Treasury held 850 million bolívares, most of this sum obligated to credits outstanding from obligations contracted during the period of force of the budget, which have had to be paid off, as established by law, in the last few months. Thus, the Treasury has had to face a drop in its holdings, and to meet it it has had to use the powers granted by the law of public credit, recently promulgated, to issue Treasury notes, to be paid in the course of the budgetary year, to meet its needs. After legal consultation with the Central Bank, the National Government has issued Treasury notes in the amount of 310 million bolívares, which will be paid off when the income-tax payments come in in the months from March to July. The oil companies have cooperated with the Government and have subscribed the entire issue, thus demonstrating the good relations that exist and the confidence that the financial and industrial groups have in the economic situation of the country.

At the same time that the ordinary budget was presented to the National Congress, there was also submitted a special budget for programs and works of an income-generating character in the amount of 1,068 million bolívares. Congress is discussing this special budget at the present time. The Government has decided not to surpass the figures originally considered in the two proposed budgets I have mentioned. Nevertheless, the administration will again submit to the National Congress a proposed special budget that, while it is lower than the one originally presented, represents a sum close to the original one, if there are added to the amount proposed additional credits that have been approved to meet un-deferable needs during the last few months.

Many and authoritative voices have criticized the Government for maintaining the national budget at too high a level. Certainly, if the figures are considered at their absolute level, such an assertion seems justified. However, certain circumstances must be taken into account in explaining this situation. First of all, the real expenditure budget of Venezuela in the last fiscal year and the present one are not very different from the real expenditure budgets of the years of the dictatorship. The difference lies in the fact that until 1958 the budgets submitted to Congress constituted only a part of the expenditures that were actually made, since there was a special works budget that was over and above the legal budget. Moreover, the dictatorship made expenditures beyond those authorizations, acquiring obligations that it never managed to pay off, and that amounted, as is well known, to 4.5 billion bolívares. In the 1958 and 1959 budgets, 901 million and 537 million bolívares, respectively, have been assigned to payment of those obligations, which represent an extra charge against the expenditures during the democratic regime.

Another circumstance that the Government has taken very much into account and to which I have already referred in this explanation is the inadvisability of lowering the level of Government expenditures suddenly and violently at a time when petroleum investment was contracting and some activities, such as construction, were undergoing an adjustment in their levels of operation. As a result, apart from the payments on the debt, it has been necessary to maintain the level of state expenditures. And I have already referred, likewise, to the raises in salaries of public officials and the policy of redistribution of income through collective contracts, which also had strong repercussions on Government expenditures. Moreover, it must be considered that the condition in which the dictatorship left the country, obliged the Government to spend heavy sums on programs and works that it was impossible to postpone without causing dismal consequences for the country's future. I refer particularly to education, public health, agrarian, and industrial credit, the condition of the welfare institutions, and numerous public works, such as sewers, rural roads, ports and airports, and so on.

Alongside these factors, there are others that obviously are not completely justified. The demands that reach the Government to meet all kinds of needs are so great that a budget three times larger than this one would not cover them satisfactorily. In Venezuela people have come to believe that the state has unlimited resources and that everything that is needed and asked for can and must be done immediately. It has been and it is the constant job of the Government

to try to convince not only the towns oppressed by needs, which await the solution of their problems, with understandable impatience, but also the public officials and the economic groups, that not everything can be done at once and that the country needs several years to recuperate from the evils and abandonment in which it found itself. We must at the same time confess that at the administrative level there are immoderate superfluous expenditures. The excess of employees in many Government agencies, the costly and frequent trips abroad, the unnecessary purchases, are deep-rooted vices that we must uproot, but whose elimination requires more work and patience than is generally believed.

Taking all these difficulties into account, the Executive has tried to draw up a special budget that would cover what can be considered most justified and urgent and that would, at the same time, in its financing, meet the aim already outlined of making savings at the cost of unnecessary expenditures. The special budget is being submitted to the National Congress, in the amount of 810 million bolívares, and is distributed in the following manner:

Ministry of Finance.—Mechanization of the salt mines of Araya (programs already underway): 14.9 million bolívares.

Ministry of Development.—Venezuelan Development Corporation: For execution of the program of credit to private industry, 100 million bolívares.

Ministry of Public Works.—Bureau of Public Roads: Surveys, construction, and paving of roads, as specified, 191 million bolívares.

Bureau of Ports and Airports.—Surveys and construction of port and airport works, 41.8 million bolívares.

Bureau of Buildings.—For the construction of hospitals, school buildings, and other specified works, 78.4 million bolívares.

Bureau of Water Works.—For survey and construction of irrigation works, 40.9 million bolívares.

Bureau of Conservation.—For maintenance, conservation, and improvement of airports, roads, bridges, etc., 34.9 million bolívares.

National Institute of Sanitary Works.—For the construction of water works and sewers in various cities, especially in Maracaibo, 49 million bolívares.

Workers Bank.—For execution of the housing program, 75 million bolívares.

Ministry of Agriculture.—For programs of protection and recuperation of watersheds, enlargement of agricultural schools, and agricultural extension work, census of properties, etc., 17.2 million bolívares.

Capital contribution to the *Agricultural Bank*, 30 million bolívares.

Contribution to the *National Agrarian Institute for the Agrarian Reform*, 53 million bolívares.

Ministry of Communications.—For completion of the works in progress on the present railway system, 7.6 million bolívares.

For the plan for an air-traffic center and for the installation of telecommunications, 21 million bolívares.

Corrections, 5.3 million bolívares.

In regard to the financing of this special budget, the administration is submitting to the National Congress the following measures:

First: To authorize the Venezuelan Development Corporation, the National Institute of Sanitary Works, and the Workers Bank to make use of their credit in the national and foreign markets. This is an orthodox policy that is applied in all countries that have similar institutions. The autonomous institutes have their own endowment, and it is fair that they should employ the channels of credit to carry out self-liquidating projects. A long time ago, the Workers Bank financed the redevelopment of El Silencio Housing project with foreign loans that were punctually repaid, and, in the same way, the National Institute of Sanitary Works has a splendid tradition of payment of its bonds, which were issued about 16 years ago and amounted to 25 million bolívares. The Venezuelan Development Corporation likewise enjoys a fine reputation, and the money to be sought is destined for recoverable investments.

The amount of 586 million bolívares would remain for the National Government to finance. The administration proposes to cover this sum in the following way: 250 million bolívares would have to be saved by the Ministries and autonomous institutes from their present expenditure budgets. This is possible through the elimination of numerous superfluous expenditures; not filling vacant positions or those that become vacant, except in cases of extreme need; and, in general, a policy of strict economy and austerity in all expenditures. The Government has duly studied the question of the remuneration of public officials and still believes that a cut in the remuneration of the public servants, who generally earn less than they could for similar work in private business, is not justified at this time. More-

over, estimating the results of the saving that would be made by reasonable reductions, the hardship that would be caused for the large number of public servants would not be offset by the resources the Treasury would gain in the process. In any case, it has been decided to reduce the salaries of high officials by 15 percent of all income in excess of 5,000 bolívares per month, applicable to the Ministries, autonomous institutes, and state enterprises. And, to avoid new expenditures on account of the remuneration of the rest of the employees and workmen, it has been decided to freeze the wages of all the other government workers for the present fiscal year. The Government expects to accompany this policy of stabilization of wages and salaries by active measures to prevent the rise in the cost of living from continuing, and to lower prices of essential goods and services.

The rest of the special budget will be covered by issuance of Treasury bonds in the amount of 336 million bolívares, which will be placed in the domestic market. Several months ago the banking institutions offered to cooperate with the Government by subscribing not less than 160 million bolívares of this loan. The Government considers the promise still good, and expects soon to reach an accord with the banking institutions and other financial and savings institutions, in order to be able to have the planned amount available.

CONCLUSION

In conclusion, I would like to sum up the National Government's opinion of this interesting economic moment the country is living. We are, as I have said, in a process of adjustment. From the dictatorship, the country was coming along a road that led directly to economic chaos. If this situation had been continued, either disaster would have occurred or, as was done in 1956, more of the natural reserves of the country would have been sold, without any thought for its future. The Democratic Government has been carrying out this painful readjustment systematically. During the year and a half since January 23, 1958, debts amounting to more than 2.5 billion bolívares have been paid; undoubtedly expenditures have been made that could be criticized, but we have managed to maintain social tranquillity and to maintain and increase the national rate of agricultural and industrial growth; we have begun to overcome the profound crisis of public health and education in Venezuela, which threatened to destroy our human capital morally and socially. Some activities that had developed beyond normal limits have had to return to sound levels, but, in general, the country has continued to progress, even though its principal export product has passed through a period of difficulties. Even in that field, the average daily oil production has increased in 1959, and it is to be hoped that an agreement satisfactory to both sides will be reached regarding the demands the unions have made of the oil companies. These readjustments were essential, and we must view them calmly and optimistically. They are a result of economic development itself and not an exceptional phenomenon. The other countries in Latin America that have experienced major growth are suffering from similar situations, and even more serious ones, since they have less financial resources and since in some cases the evil was not attacked in time.

The Government realizes that in order to move forward successfully we must inspire confidence. Confidence in the stability of our political institutions; confidence that private capital will have all the guarantees for its normal development and that the country will continue its own development in a healthy manner; confidence on the part of the people and the workers that their needs will be met to the extent which the economy of the country permits. If these conditions are met, and it is the Government's aim to do this at any cost, we shall have a great future for the economy of Venezuela, a more equitable social situation, and greater welfare for all its people.

APPENDIX II

TEXT OF A SPEECH BY PRESIDENT LLERAS CAMARGO AT THE OPENING OF THE NATIONAL PEASANTS' CONGRESS, BOGOTÁ, COLOMBIA, NOVEMBER 26, 1959

[Translated from "El Tiempo" of Bogotá, Friday, November 27, 1959]

This Government has concentrated its interest on rural problems. It has done so with the greatest attachment, not because it prefers one class of problems to another, nor because it would have singled out those of farming by a whimsical liking. At this time, and under present conditions, any other administration

would have done the same. In fact, in this country everybody speaks about this subject. Politicians, businessmen, clergymen, workers, bankers, have before them a rural situation to be solved: whether it be the very conformation of our land-tenure system, or production, or credit, or the organization of the rural people. The Government is facing all this rural complex, that is public order, peace, security, agricultural production, the underdevelopment of huge areas, illiteracy, infancy abandonment, growing delinquency, coffee prices abroad, the world overproduction of this commodity, the high cost of rural produce, inefficiency and waste in the handling of our natural resources, or, in other words, present conditions as well as the destiny of a peasant republic.

There is nothing easy or simple in this mass of problems. A nation is a network of visible and invisible relationships among the population grouped within certain boundaries. It is not possible to touch or remove anything without causing in other very remote areas a reverberation of actions which were supposed to be confined and specific. Theoretically, a good government would be the one able to foresee even the most unlikely effects of each decision; and that is why it does not exist. We must resign ourselves to estimate, using the very limited informative instruments at our disposal, the total impact of our laws and decrees. It is a kind of "flying with instruments," as pilots call it; but owing to the unfitness of many of these instruments that we have to use, I would suggest that it is also "flying blind." And I say this without being afraid that those in the country who suppose they know everything, or who believe that everything is already solved and there is nothing new to try, may declare their astonishment because the Chief of the Government avows, humbly and sincerely, that the more he studies the core of public affairs, the less he believes in radical solutions, and the less he is inclined to seek those that satisfy one group, or class or special interest in Colombia. Perhaps you have noted how the principle of association, which is in itself beneficial, has produced among us a whole series of new dogmas: those of the manufacturers, the merchants, the farmers; and a series of subdogmas no less rigid: those of the small manufacturers, the small merchants, the coffeegrowers, the cattle ranchers, the tobaccogrowers, the cottongrowers, all of them sincere but each convinced that the national interest is identified with that of their group.

OVERPOPULATION

Trying to see the general problems of the country, from as rounded and objective a position as possible, there are certain things that stand out. Population is growing: not only rapidly, but at an explosive rate. During our time, great changes are occurring in Colombia and all of them have their basic origin in the demographic changes. There was less difference between the nation which was liberated and ruled by Bolivar and Santander, and that led late in the same century by Núñez, Caro, and Holguin, than between the latter and the one headed by López in his first term. The swiftness of this change runs in geometrical progression and in the last 15 years we have become another nation, almost completely new. All the indices of economic development and evolution, except that of population, show a moderate change. In a country predominantly rural as is ours, we must not be amazed by the fact that this increase in population sharpens all our problems; nor that the Government, working almost with the identically same resources during the last 10 or 15 years, cannot, as everybody is urging, solve in a very short time problems that originated in many instances with the first conquerors who entered Spanish America and violently divided the land among themselves, their relatives, and their peninsular servants.

At the beginning of this century, the Colombian population was probably 3,500,000 people; by 1945 we had about 10 million Colombians, and today the population is estimated at 14 million. Maintaining this rate of growth, we should have 50 million at the end of this century. How are these people to work, feed, dress, and lodge themselves?

EMPLOYMENT

According to statistics, between 110,000 to 120,000 people become members of the working force each year. This figure will grow proportionally as the population increases. This means that, if we aspire to maintain a normal rate of development, we should find employment for that annual increase of workers who, otherwise, would create an incalculable social problem. Can industry supply this employment? After 40 years of industrial development no more than 300,000 persons, among the 4½ million people who make up the economically active population, work in industry. How could industry absorb at least 100,000 more annu-

ally? Account must be taken of the fact that the new industries to be established in the country will be increasingly mechanized and should require less workers. This is particularly so if we seek to keep up some parallelism between efficiency and productivity with foreign industry, against which, sooner or later, we must vie when a certain degree of saturation in the domestic market occurs. Therefore, we must conclude that farming will continue to absorb a good proportion of the new working population. How? Is it possible? What kind of workers must we prepare?

COFFEE

Among the millions of Colombians directly depending upon agricultural activities, there is a large segment that is essentially dependent upon coffee. This agricultural industry is being threatened and it will have to undergo great changes in the coming years in order to endure the likely adversities of its unstable balance. Until now we have avoided disaster by measures of international cooperation. Overproduction of coffee affects prices, however, and we should not think that prices can regain the levels that we knew some time ago. At present prices, Colombia does not obtain all the foreign exchange needed for buying abroad essential consumer goods or the industrial equipment necessary for a systematic program of import substitution. Today we have reduced these imports to the minimum and, through external credit, we are succeeding in the task of keeping our balance of payments equilibrated.

No nation, and even less one at the level of development attained by ours, can imagine that such a precarious stability is, in itself, a long-term solution. We need urgently to steer the nation toward a program of increased exports. We need to lead it toward the local manufacture of a large number of imports. But it happens that great numbers of countries—in America, in Asia, in Africa, and also in Europe—are doing the same things that we should do. And our elementary program, that of producing most of what we consume, and exporting our surplus in order to purchase what we cannot produce, must sooner or later be affected by a factor out of our control; that is the international market.

In the present situation we have certain advantages, such as labor that is cheaper than in other countries. But this advantage is counterbalanced by a high degree of inefficiency, by deficient domestic transportation and, in the case of farm produce—cattle or cotton, tobacco, sugar, potatoes, barley—by a factor that puts a heavy burden on costs: the price of land, whether owned or rented by the farmer. And there is another cause of high costs: farm machinery, seeds, fertilizers, vaccines, and fungicides. As long as we cannot produce them economically in Colombia, our farming industries will have very high costs.

Colombia's greatest asset is its land. It is not inferior in quantity, nor in quality, to the needs of our present and future population; and theoretically, at least, it is enough to sustain a great increase in domestic consumption and the development of production for export. But it happens that land in Colombia is not always used for its natural economic function, because its value is not necessarily related to what it produces. It is a savings deposit box for the landowning class, who do not always cultivate it, because merely holding it immobile results in its increasing its value at a rate greater than that produced by any crop. What causes that rise in value? The increase in population which every day creates more need for land, food, and goods for export. The Colombians who pay taxes for the construction of roads that potentially enrich the untilled land. The Colombians who concentrate in the villages turning them into cities surrounded by a ring of idle land which is consequently increased in value.

UNDUE WEALTHINESS

Industry and commerce, which involves a continuous effort of financing, organizing, distributing, establishing efficient systems, and aggressive competition, have created a hundred individual fortunes that comprise the group that people call the Colombian millionaires. On the other hand, there are several thousand of millionaires who have attained this position without labor problems, strikes, customs restrictions, or raw-material problems, that is, without working; simply waiting. I do not believe it is adventuresome to say that the largest fortunes in this country have been made mainly by purchasing land, and have increased in a fabulous manner by waiting. There is something mistaken and prejudicial in an economic and juridical system that shifts savings, which should be linked to the creation of new enterprises, industries and businesses, toward the land in order to benefit from its immobilization.

TWO THESES

The great Colombian resource, the land, cannot be treated in such a way. This is what is meant by those proposing that land should be subject to greater taxation—not that this would provide a revenue that could be considered as unnecessary or superfluous, but rather in order that those who do not obtain a reasonable income from totally idle property will dispose of it and so the land will enter the market for those who need it to work. That is what, here and in the whole world since Roman times, has been called agrarian reform. It constitutes one of the oldest social, economic, and political problems of the human race; its resolution has historically occurred in one of two ways: either through forced distribution of land with the natural violence that that provokes, or the patient, continuous, and inflexible action by the state, through taxation, to convert the land gradually into an instrument of production, whose ownership is economically justified by the income it produces. In the latter choice, Colombians must not hesitate and I am sure they do not hesitate.

It is true that we still have vast territorial expanses, barely opened, that are an amazing reservoir of land wealth for the new Colombian generations. But what is the system to be by which they are to enter the economy? Should it be the present one? I should like to ask: How long it would be—after the most equitable apportionment of the vacant land, if immobility of land continues to be a good way to become rich without working and without paying taxes—before the very phenomenon that we are now facing and the problem which is concerning us is extended to all the new land? It is already known that, in the area of the new Atlantic Railroad, several individual estates have been constituted, by adjudication of vacant land or by purchase of ancient titles, on the order of 50,000 to 75,000 acres. I doubt very much that the Colombian people understand that the prodigious effort involved in the opening of that railroad may end in this type of enrichment without purpose and without a social end; or that, moreover, this will not occur without a series of strifes so serious that they would basically disturb the public order in those areas, whose opening to civilization should be accomplished mainly to relieve the economic pressures that have contributed to violence in the most densely populated places of Colombia.

Agriculture and cattle raising must be, as they are wherever they are submitted to intelligent handling, a good business, an activity as remunerative as few are, even in the precarious economic conditions to which I have referred before. But no other activity requires more technical know-how. And this knowledge should not, as some believe, be provided only by the Government, paid for by it and brought to all farms in Colombia by public officers. Rather, it should be attained by the effort of those very farmers and cattlemen who, by ignoring much of the technical phases of their own business, are wasting a very great part of the national wealth. The case of cattle-raising is typical of how the inefficiency of the Colombian effort is the element which we must watch in the future, if we really want to solve in a conclusive way some of the problems of scarcity and even of misery that are threatening us.

STATISTICS

According to statistical data, cattle production in the 1956–58 period attained an annual average of 2,665,000 pesos. Foreign experts who presently are surveying the problems of cattle production have estimated that the annual losses on account of poor administration in this business, and which could be avoided, are around 1,350,000 pesos, that is, approximately 50 percent of the production obtained in the cattle-raising industry. It is estimated that the cattle population in Colombia must be approximately 14½ million animals, from which the annual slaughter is about 2,200,000 head. But 1,140,000 cows are lost annually by death, a figure equivalent to 8 percent of the total. These losses are avoidable. Diseases and pests attacking cattle have been conquered long ago economically and simply by appropriate vaccination and treatment. But not only is there a waste of resources in this manner, but there are also basic errors perpetuated by routine and indolence. To the tremendous figures of losses caused by diseases, deaths, and mismanagement of cattle ranches, must be added an estimated 120 million pesos of losses annually by improper systems of cattle transportation and slaughter.

It is estimated that if cattle-raising continues in its present condition and slow rate of development, we shall have, by 1970, an annual deficit of 80,000 tons of meat that, if imported, would cost from \$35 to \$40 million. But, on the contrary, if a reasonable national program of development of the cattle-raising

industry were established, with the main aim of abolishing the causes of losses such as the ones referred to before, we would obtain an increase of cattle production which would mean both a remarkable betterment of per capita consumption within the country and the creation of an export trade able to realize, by the same year of 1970, some \$60 million.

Unmistakably, this means, whether in cattle-raising or in other lines of farm production, that no effort can be more important than the one which the Colombian Government, landowners, trade organizations and, generally, all peasants should undertake, namely, to improve the efficiency of agricultural activity. As can be readily seen from the agenda of this congress, the workers' organization which has promoted it has the aim of creating trade unions, of encouraging peasant associations, and of protecting the interests of a class traditionally ignored, by giving it a greater awareness of its rights and also of its duties. But all of these pledges would be in vain if the Colombian, from the rural landowners to the last worker, does not participate in an active process for the improvement of their capacity to draw a higher benefit from the land and the cattle.

A STATE TASK

The state must contribute, in a serious and intensive way, to programs for the betterment of crops and cattle production. But these efforts—which are not easy because the Government cannot provide all the technical experts needed—will be still more useless or will lose their efficiency, if, in the rural areas, we find a mass of people determined to continue living, as in centuries past, alien and hostile to any stimulus or innovation, and determined to continue treating the land with the same juridical, economic, and social criteria that the Spaniards imposed with a powerful hand on the lands of this part of America.

As long as a good portion of Colombia's lands continue to be a future and immobile asset; as long as the farming operation maintains its wasteful inefficiency on an amazing volume of potential production; as long as all peasants are not on the alert to protect the forests, waters, and the soil itself from the plundering that every day is caused by ignorance or cupidity; as long as we do not give to the state, in resources and technical ability, the capacity to carry out programs for promoting production and protecting the natural resources, the Colombian people will not be able, properly, to nourish themselves, and each day, while population is increasing, their diet will be more precarious and they will have less capacity to pay for it. Nor is it necessary to point out that the only way out that the nation has, from the economic point of view, which is that of an intensive production of goods for profitable exportation—will gradually be lost at the same time that the coffee situation deteriorates.

If you acknowledge that I am right in at least some of these statements, which are certainly not original but the fruit of surveys made by many Colombian and foreign experts during the last years, you could give to the trade-union peasant organization a leadership which could concentrate in the dissemination of certain special techniques in order that each peasant, whatever his status, can know his or her trade well, increase his or her efficiency and draw from a farming industry better salaries and higher living standards than the present ones.

Also, it is necessary to introduce in the new trade unions a very strict principle regarding the need to strengthen the institution of private property. If this principle is weakened, whether by violence, by spoliation or invasion, then even after a process of land distribution forced by taxes on idle, arable lands, any piece of land obtained by a peasant will have no value and will be exposed to the same outrage and attacks.

It is clearly understandable that those who believe that all the land is and must be the property of the state, and has to be cultivated in communistic systems, should seek every means to undermine the principle of private property, among other reasons because it is the great wall they encounter everywhere they have tried to impose their agrarian collective systems. In Colombia, what interests us is that capable people become landowners, and not that landowners should disappear. Moreover, it is desirable for us that rural property not be excessively subdivided, as has been happening in Boyacá, Nariño, Cundinamarca, and many other areas. The ideal agrarian reform, which can be promoted and stimulated by a tax system, is one with neither latifundia nor minifundia, but with owners soundly established on land that can be exploited well, intensively and technically to obtain from their work a reasonable profit. I would say that Colombia needs to create a rural middle class, taken from the wealthy latifundia and from the proletariat small landowners.

ORGANIZATION

But the intensive help that the Colombian state must give to the technification of the Colombian farm cannot be achieved without a serious peasant organization, able to make their duties, rights and needs understood to that immense number of people who, in Colombia, depend on agriculture, and to develop in them a spirit of permanent, positive, and cooperative association, capable of spreading the techniques and of supervising the utilization and protection of land. It is a direct form of community action, without which the peasant and village life of the country cannot be changed.

With these thoughts, the National Government greets this First National Peasants' Congress in a sincere and enthusiastic manner, and in its name I express my best wishes for the success of your very important tasks.

APPENDIX III

The Government-reimbursed expenses of Senator Capehart and Mr. Denney on the trip covered by this report were as follows:

[U.S. dollars]

Per diem:

Nov. 14-----	Washington, D.C., to Kingston, Jamaica (½ day, at \$12 each)-----	\$12. 00
Nov. 14, 15-----	Kingston, Jamaica (1½ days, at \$12 each)-----	36. 00
Nov. 16-----	Kingston, Jamaica to Port au Prince, Haiti (½ day, at \$14 each)-----	14. 00
Nov. 16-18-----	Port au Prince, Haiti (1¾ days, at \$14 each)---	49. 00
Nov. 18-----	Port au Prince, Haiti, to Ciudad Trujillo, D.R. (¼ day, at \$16 each)-----	8. 00
Nov. 18-20-----	Ciudad Trujillo, D.R. (1½ days, at \$16 each)---	48. 00
Nov. 20-----	Ciudad Trujillo, D.R., to Caracas, Venezuela, via Port au Prince, Haiti (½ day, at \$14 and ¼ day at \$26 each)-----	27. 00
Nov. 20-24-----	Caracas, Venezuela (4 days, at \$26 each)-----	208. 00
Nov. 24, 25-----	Caracas, Venezuela, to Bogota, Colombia, via Barranquilla, Colombia (½ day, at \$12 each)---	12. 00
Nov. 25-29-----	Bogota, Colombia (3¾ days, utilizing local currencies)-----	-----
Nov. 29-----	Bogota, Colombia, to Washington, D.C., via New York, N.Y. (¾ day, at \$12 each)-----	18. 00
Taxis-----	-----	5. 00
Telephone, telegraph, cables, postage-----	-----	45. 00
Fee for traveler's checks-----	-----	10. 00
Subtotal-----	-----	492. 00
Colombian pesos (in dollar equivalent):		
Meals-----	-----	85. 00
Lodging-----	-----	153. 00
Representation-----	-----	50. 00
Communications-----	-----	55. 00
Other-----	-----	28. 90
Subtotal-----	-----	371. 90
In addition to the foregoing, commercial air tickets were paid for by the Department of State in foreign currency (this figure will be adjusted slightly downward by refunds on unused ticket portions and unused excess baggage authorizations)-----		1, 112. 50
Grand total-----	-----	1, 976. 40

APPENDIX IV

PROGRAM FOR VISITS AND PERSONS MET

Program of visit to Jamaica, Nov. 14-16, 1959

Saturday, Nov. 14:

8 p.m.----- Arrive Kingston.

8:30 p.m.---- Dinner at the home of Mr. Dudley Levy, president of the Chamber of Commerce of Kingston. Party included Jamaican business and Government persons.

Sunday, Nov. 15:

9:30 a.m.---- Drive to Port Esquivel, accompanied by Mr. Alan Isaacs, parliamentary secretary to the Minister of Agriculture, and Mr. A. A. Reece, economic adviser to the Minister of Agriculture. Met at Port Esquivel by Mr. Batzold, Alumina Jamaica Co. (subsidiary of Aluminum, Ltd.).

11 a.m.----- Visit to chicken farm and processing plant of Mr. Byron Coombs. Luncheon there for entire Capehart party and Mr. Reece, Mr. Isaacs, and Mr. Coombs' associates.

12:30 p.m.--- Visit real-estate holdings of Mr. James Gregory and others; travel by single-engine plane and automobile to Montego Bay.

6:30 p.m.---- Depart Montego Bay by 2-engine light plane for Kingston.

8 p.m.----- Dinner given by Consul General Robert G. McGregor at his residence. (Guest list attached.)

Monday, Nov. 16:

9 a.m.----- Call on Governor Sir Kenneth Blackburne.

10 a.m.----- Meeting with Ministers of Government of Jamaica. (See attached list.)

1:40 p.m.---- Depart Kingston for Port au Prince.

GUEST LIST: DINNER GIVEN BY CONSUL GENERAL ROBERT G. MCGREGOR, ON
NOVEMBER 15, 1959

The Honorable Douglas Judah, solicitor; businessman; Federal Senator

The Honorable Abraham Issa, businessman; chairman of Jamaica Tourist Board; member of Legislative Council

The Honorable Sir Alexander Bustamante, leader of the Opposition; head of the Bustamante Industrial Trade Union

The Honorable Brig. Donald G. Farquharson, manager, Kaiser Bauxite Co.; member of the Legislative Council

The Honorable Thossy Kelly, head of the National Workers Union; member of the Legislative Council

Harold A. Braham, general manager, Industrial Development Corp.

Harold O. A. Dayes, solicitor; chairman of the Industrial Development Corp.

Lee Gore, manufacturer; president of Jamaica Manufacturers Association

Dudley Levy, merchant; president of chamber of commerce

Osmond T. Fairclough, publisher of Public Opinion

Theodore Sealy, editor of the Daily Gleaner

Murlin Arner, Jamaican director, Pan American Airways

Henry F. Bicknell, manager, United Fruit Co.

Gordon Torode, manager, Jamaican branch of First National City Bank (New York)

Nigel Ince, manager, Esso

Don Tretzel, manager, Kaiser Bauxite Co.

Program for visit to Port au Prince, Haiti, Nov. 16-18 and 20, 1959

Monday, Nov. 16:

- 3 p.m.----- Arrive Port au Prince; proceed to Hotel Montana.
 5 p.m.----- Briefing at American Embassy, Mr. Williams and staff.
 8 p.m.----- Dinner given by Lady Hamilton and Oscar Chapman for entire group.

Tuesday, Nov. 17:

- 9:30 a.m.---- Call on Dr. Louis Mars, Minister of Foreign Affairs. Escorting officers: Philip P. Williams (chargé d'affaires, a.i.) David R. Thomson (second secretary of Embassy).
 10 a.m.----- Call on Dr. Francois Duvalier, President of the Republic. Escorting officers: Philip P. Williams and David R. Thomson.
 11 a.m.----- Call on Andre Theard, Minister of Finance. Escorting officers: Harry W. Yoe, Director, USOM; and David R. Thomson.
 7 p.m.----- Reception at residence of Mr. and Mrs. Philip P. Williams. (Guest list attached.)

Wednesday, Nov. 18 (holiday) (Haitian Army Day (anniversary of Battle of Vertieres)):

- 10 a.m.----- Helicopter tour of Artibonite Dam and irrigation works in Artibonite Valley: Marine crew, Senator Capehart, Mr. Denney, Mr. Yoe, and Earl Capehart.
 3:30 p.m.---- Depart for Ciudad Trujillo (PanAm flight 431).

Friday, Nov. 20:

- 9:50 a.m.---- Arrive Port au Prince; proceed to Haitian Senate.
 10:15 a.m.---- Special session of Senate (about 30 minutes in length); welcome remarks by President of the Senate Marthold; response by Senator Capehart.
 11 a.m.----- Hotel Montana: "Wine of Honor" offered by Haitian Senate.
 12:30 p.m.--- Luncheon at Le Perchoir, with American businessmen. (Guest list attached.)
 3:30 p.m.--- Take-off for Caracas.

INVITATION LIST: RECEPTION GIVEN BY MR. AND MRS. WILLIAMS FOR SENATORS CAPEHART AND CARLSON, NOVEMBER 17, 1959

Cabinet

His Excellency the Minister of the Interior and National Defense and Mrs. Jean A. Magloire

The Minister of Foreign Affairs and Mrs. Louis Mars
 The Minister of Coordination and Information and Mrs. Paul Blanchet
 The Minister of Finance and Mrs. André Theard
 The Minister of Justice and Mrs. Lucien Belizaire
 The Minister of Commerce and Mrs. Clovis Desinor
 The Minister of Agriculture and Mrs. Gerard Philippeaux
 The Minister of Public Works and Mrs. M. Lamartiniere Honorat
 The Minister of National Education, Father Hubert Papailler
 The Minister of Public Health and Mrs. Ernest Elysée

Senate

The President of the Senate and Mrs. Antoine Marthold
 Senator Arthur Bonhomme and Mrs. Bonhomme
 Senator Victor Nevers Constant and Mrs. Constant
 Senator Henry Marc-Charles and Mrs. Marc-Charles
 Senator Hugues Bourjolly and Mrs. Bourjolly
 Senator Jehu Garnier

Chamber of Deputies

The President of the Chamber of Deputies and Mrs. Rameau Estimé

Foreign Office

His Excellency the Secretary General René Chalmers
 The Deputy Chief of Protocol and Mrs. Clément Vincent
 Mr. Henri Bernardin, attaché, Office of Protocol
 Miss Clémence R. Guerrier, attaché, Office of Protocol
 Mr. Alcide Edouard (Chief, Division of Worship) and Mrs. Edouard

INVITATION LIST: RECEPTION GIVEN BY MR. AND MRS. WILLIAMS FOR SENATORS
CAPEHART AND CARLSON, NOVEMBER 17, 1959—continued

Haitian Military

The Chief of Staff of the Armed Forces of Haiti and Mrs. Pierre Merceron
Col. Paul Laraque, Assistant Chief of Staff, and Mrs. Laraque
Col. Georges Danache, Commandant, Air Force, and Mrs. Danache
Capt. Albert Poitevien, Commandant, Haitian Coast Guard, and Mrs. Poitevien

Haitian Government

Mr. Maurice Télémaque, president, National Bank of Haiti (BNRH), and Mrs. Télémaque
Mr. Antonio André, vice president, BNRH, and Mrs. André
Mr. Franck Thébaud, vice president, BNRH, and Mrs. Thebaud
Mr. Clément Barbot, National Palace, and Mrs. Barbot
Mr. Guy Hippolyte, IDASH (Social Security)

International organizations

Mr. and Mrs. Carlos Sanson, IMF

Diplomatic Corps

The Chargé d'Affaires ad interim of Argentina
The Chargé d'Affaires ad interim of Brazil and Mrs. Chermont-Lisboa
The Chargé d'Affaires of Colombia
His Excellency the Ambassador of the Dominican Republic and Senora de Sanchez Rubirosa
Federico A. Didiez Burgos, Minister Counselor, D.R., and Senora de Didiez
The Chargé d'Affaires ad interim of Venezuela and Senora Rodriguez Morandi

Haitian press

Mr. and Mrs. Max Chauvet, Le Nouvelliste
Mr. and Mrs. Franck St. Victor, La Phalange
Mr. and Mrs. Marcel Mallary, Le Jour
Mr. and Mrs. Franck Magloire, Le Matin
Mr. and Mrs. Pierre L. Ayot, Haiti Herald
Mr. Bernard Diederich, Haiti Sun

Non-Haitian foreigners

Mr. and Mrs. Douglas Crew (Shell)
Mr. and Mrs. Joseph W. Godin (Royal Bank of Canada)
Mr. and Mrs. A. W. Spillett (Esso)
Mr. Sam Abitbel and Mrs. Abitbel (Atlas Trading Co.)

Haitian businessmen

Mr. and Mrs. Louis Décatrel (president of the chamber of commerce)	Mr. and Mrs. Georges Léger
Mr. and Mrs. Jacques Berne	Mr. and Mrs. Georges Léger, Jr.
Mr. and Mrs. Carl Behrmann	Mr. and Mrs. Paul Rey
Mr. Fortuné Bogat	Mr. and Mrs. René Scutt
Mr. and Mrs. Clemard Joseph Charles	Mr. and Mrs. Eric Tippenhauer
Mr. and Mrs. Jean Elie	Mr. and Mrs. Gerard Vital
Mr. and Mrs. Charles Féquière	Miss Vital
The Consul of Austria and Mrs. Kurt Fisher	

American businessmen

Mr. and Mrs. Richard Abbott	Mr. and Mrs. Shannon E. Yarborough
Mr. and Mrs. Horace Ashton	Mr. and Mrs. Hugh Calvin Minor
Mrs. George Belisario	Mr. and Mrs. Elias Noustas
Mr. and Mrs. Joseph Cichowski	Mr. and Mrs. Melville Shaw
Mr. and Mrs. Albert Hill	Mr. and Mrs. Everett M. Shrewsbury
Mr. and Mrs. Anton Kneer	Mr. and Mrs. Jules J. Tomar
Mr. T. Sterling Laville	Dr. and Mrs. Elmer Loughlin
Mr. Atherton Lee	

INVITATION LIST: RECEPTION GIVEN BY MR. AND MRS. WILLIAMS FOR SENATORS
CAPEHART AND CARLSON, NOVEMBER 17, 1959—continued*Panama Line*

Mr. and Mrs. John J. Cusick

*USOM*Mr. and Mrs. Harry W. Yoe
Mr. and Mrs. Caspar D. GreenMr. and Mrs. Palmer Wardman
Mr. and Mrs. Carl G. Fuller*U.S. Naval Mission*Col. and Mrs. Robert D. Heinl, Jr.
Miss Pamela Gordon Heinl
Col. and Mrs. Henry H. ReichnerComdr. and Mrs. Thurman K. Tread-
well, Jr.
Rear Adm. Harold M. Briggs*U.S. Air Force Mission*

Col. and Mrs. Oscar G. Johnson

Maj. and Mrs. Joseph T. O'Neil

USIS

Mr. and Mrs. Theodore S. Arthur

*American Embassy*Mr. and Mrs. Forest E. Abduhl
Mr. and Mrs. Kyle D. Barnes
Mr. and Mrs. Donald Born
Mr. and Mrs. Hugh Douglas
Mrs. Vera N. GallopMiss Gale Hargrove
Miss Marie E. Thomas
Mr. David R. Thomson
Lt. Col. and Mrs. Edmund J. Dollard
Miss Beatrice Bosanac

Senator Homer Capehart (guest of honor)

Senator Frank Carlson (guest of honor)

Mr. Raymond F. Kelley (accompanying Senator Capehart)

Mr. George Buschmann (accompanying Senator Capehart)

Mr. Wallace G. Rouse (accompanying Senator Capehart)

Mr. John A. Fairchild (accompanying Senator Capehart)

Mr. Samuel R. Harrell (accompanying Senator Capehart)

Mr. Russell W. McDermott (accompanying Senator Capehart)

Mr. George C. Denney, Jr. (accompanying Senator Capehart)

Mr. Charles Tweedle (accompanying Senator Capehart)

Mr. Charles Cole (accompanying Senator Capehart)

Mr. Earl Capehart (accompanying Senator Capehart)

Mr. Horace Coats (accompanying Senator Capehart)

Mr. W. C. Thornton (accompanying Senator Capehart)

Mr. A. L. Dougherty (accompanying Senator Capehart)

GUEST LIST: LUNCHEON AT LE PERCHOIR, PORT AU PRINCE, HAITI, NOVEMBER 20, 1959

*Persons in addition to Senator Capehart's party*Mr. Philip P. Williams, Chargé d'Affaires ad interim of the United States of
America

Mr. David R. Thomson, second secretary of Embassy

Mr. Everett M. Shrewsbury, Compagnie d'Eclairage Electrique

Mr. Melville Shaw, Rue Pavée

Mr. Joseph F. Cichowski, Caribbean Mills

Mr. Anton Kneer, Rue Dantes Destouches

Mr. Richard Forgham, Coca-Cola

Mr. Victor Lamson, Firestone

Mr. Jules J. Tomar, City Shoe Co.

Mr. Harry W. Yoe, Director, U.S. Operations Mission (USOM)

Mr. Lee Winters, USGOM, Agriculture

Col. Robert Heinl, Jr., USMC, Chief, Naval Mission

Program for visit to Dominican Republic, Nov. 18-20, 1959

Wednesday, Nov. 18:

- 4:20 p.m.----- Arrive Ciudad Trujillo.
 6:30-8:30 p.m.--- Reception for Senator Capehart and members of his group
 (given by Mr. and Mrs. L. B. Reed, Embassy political
 officer).

Balance of evening free.

Thursday, Nov. 19:

- 10 a.m.----- Visit to Catholic girls' school.
 10:30 a.m.--- Briefing at the Embassy.
 10:40 a.m.--- Unscheduled call on President Trujillo.
 11 a.m.----- Unscheduled call on Foreign Minister Baez.
 12 noon----- Luncheon at the American Chamber of Commerce (Embajador
 Hotel), with Ambassador Farland, Senator Capehart,
 Mr. Denney, and Secretary De Moya as guests of honor; all
 the group attending.
 2:30 p.m.----- Drive around Ciudad Trujillo and nearby countryside accom-
 panied by Mr. Harry Lofton, consular officer.
 5:30 p.m.----- Cocktail party given by Secretary Manuel De Moya at his
 residence for entire group. Guests included Foreign Minis-
 ter Baez, Hans Priester (foreign adviser to Generalissimo
 Trujillo); entire group attending.
 7:30 p.m.----- Dinner given by Ambassador and Mrs. Farland at the Ambassa-
 dor's residence. Guests: Primarily local U.S. businessmen.

Friday, Nov. 20:

- 8 a.m.----- Call on Generalissimo Trujillo by Senator Capehart alone.
 9 a.m.----- Leave Ciudad Trujillo.

Program for visit to Venezuela Nov. 20-24, 1959

Friday, Nov. 20:

- 10:30 p.m.--- Arrive Maiquetia Airport, Caracas.
 10:40 p.m.--- Press interview.

Saturday, Nov. 21:

- 10 a.m.----- Briefing at Embassy: Mr. Burrows, Mr. Cates, Mr. Cassoday,
 Mr. Ogg, and Mr. Bridgett.
 12:30 p.m.--- Lunch at Hotel Tamanaco given by the American Chamber of
 Commerce of Caracas. (See attached guest list.) Ad-
 dresses by Senator Capehart and Mr. Charles Urruela.
 7 p.m.----- Buffet supper given by Chargé d'Affaires, Mr. Charles R.
 Burrows, at his residence. (Guest list attached.)

Sunday, Nov. 22:

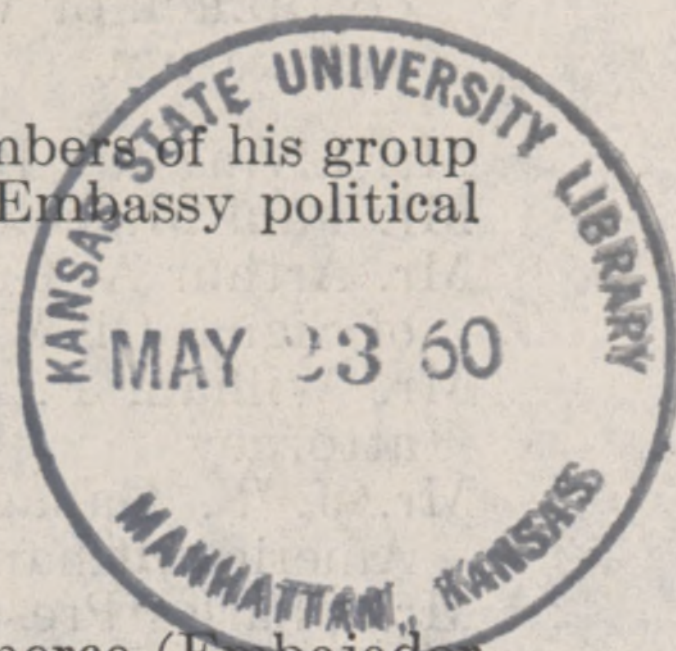
- 10 a.m.----- Drive westward from Caracas through country, accompanied
 by Mr. Howard Law; Embassy officers acting as guides for
 the group.
 3 p.m.----- Visit to racetrack.
 7 p.m.----- Dinner for Senator Capehart and Earl Capehart by Mr. Jack
 Reynolds, local insurance executive.

Monday, Nov. 23:

- 12 noon----- Call on Foreign Minister Arcoya.
 12:30 p.m.--- Luncheon for Senator Capehart and Mr. Denney, given by
 Mr. Cassoday, commercial attaché. Guests: Members of
 financial and industrial community. (See attached list.)
 5 p.m.----- Press conference, Hotel Tamanaco; Senator Capehart assisted
 by Mr. Francis J. Donahue, acting public affairs officer.
 8:15 p.m.----- Dinner given by Mr. John Cates at his residence for Vene-
 zuelan political party leaders. (See attached list.)

Tuesday, Nov. 24:

- 8 a.m.----- Breakfast at residence of Mr. Burrows with Colonel Rovard
 and Mr. Perez Guerrero, Venezuelan Government economic
 planning officials, and Mr. Henry Labouisse, IBRD.
 9:30 a.m.----- Drive to Valencia with Mr. Eugenio Mendoza to visit his ranch,
 flour and feed mill, etc.
 1 p.m.----- Luncheon at Mendoza ranch.
 5 p.m.----- Visit to La Guaira, port for Caracas (due to late departure of
 flight to Bogota).
 7 p.m.----- Dinner at private club arranged by Avianca.
 9 p.m.----- Departure for Bogota.



GUEST LIST: LUNCHEON GIVEN BY DIRECTORS OF THE AMERICAN CHAMBER OF COMMERCE OF VENEZUELA, IN HONOR OF SENATOR CAPEHART, NOVEMBER 23, 1959, AT 12:30 P.M.

Mr. Livingston Bunzl, textiles
 Mr. Paul Malcolm Cain, managing director of United States Rubber
 Mr. Arthur A. Curtice, former partner of Herbert Hoover, Jr.; Manager director of Signal Oil & Gas
 Mr. William F. Coles, representative of Gov. Nelson A. Rockefeller and local attorney
 Mr. J. F. Gallagher, president of Sears Roebuck de Venezuela; president of American Chamber of Commerce
 Mr. Charles Preston Stephens, managing director of Coca-Cola
 Mr. Robert L. Genillard (White Weld Co., New York), La Financiera Venezolana
 Mr. Richard A. Gluski, president Agencia Candes
 Mr. Walter H. Gussenhoven, managing director of General Motors de Venezuela
 Mr. Gerald Maxfield, managing director of Price Waterhouse
 Mr. Nathan McClure, managing director of Deloitte, Plender, Haskins & Sells
 Mr. Arrigo Righi, Inversiones Orinoco
 Mr. Morse A. Travers, managing director of Otis Elevator Co.
 Mr. Charles M. Urruela, managing director of Siderurgica Venezolana
 Mr. George H. Speirs, president of Constructora "Cima," South America

GUEST LIST: BUFFET SUPPER IN HONOR OF SENATOR CAPEHART AT THE HOME OF MR. CHARLES R. BURROWS, NOVEMBER 21, 1959, AT 7 P.M.

Mr. Freddy Muller, Corporacion Publicitaria Nacional, Agencia de Publicidad
 Mr. John F. Gallagher, president, Sears Roebuck de Venezuela
 Mr. George H. Speirs, Constructora "Cima", building contractor
 Mr. John Vebber, executive director, North American Association
 Mr. Manuel I. Prado, representative, Chase Manhattan Bank in Venezuela
 Dr. José Antonio Mayobre, Venequelan Minister of Finance
 Mr. W. Howard Gussenhoven, managing director, General Motors de Venezuela
 Dr. Oscar Machado Zuloaga, director general, Electricidad de Caracas (former Cabinet member)
 Mr. William H. Barnwell, managing director of Celanese Venozolana
 Dr. Lorenzo Fernandez, Venezuelan Minister of Fomento
 Mr. Robert D. Ford, "Schlumberger" Surencó
 Mr. Arturo Sosa Hernandez, Venezuelan industrialist
 Dr. Alfonso Espinosa, president, Banco Central de Venezuela
 Mr. Ebert E. Boylan, American (has own company)
 Mr. Jack Reynolds, president, "Seguros Venezuela"—insurance (Senator Capehart for dinner, November 22)
 Mr. Charles M. Urruela, Siderurgica Venezolana (SIVENSA)—steel production
 Dr. N. P. Danielien, Washington, D.C.
 Mr. John Strange, General Tire de Venezuela
 Mr. Harry A. Jarvis, vice president, Creole Petroleum Corp.
 Dr. J. J. Gonzalez Gorrondona, president of the Council of National Economy and also president of the Banco Nacional de Descuento
 Dr. Luis Lander, director of the Banco Obrero
 Dr. James A. Tong, president, Socony Mobile Oil Co. de Venezuela
 Mr. Arthur A. Curtice, president-manager, Signal Exploration Co.
 Dr. Elbano Provenzali, Senator, Accion Democratica, Chairman of the Venezuelan Senate Commission on Foreign Affairs
 Mr. Cliff W. Peery, president, Mene Grande Oil Co.
 Dr. Feliciano Pacanins, president, Banco de Venezuela
 Dr. Francisco Carrillo Batalla, Governor of the Federal District
 Dr. Jesus Calvo Lairet, president, Banco de Comercio
 Dr. Eugenio Mendoza, president, Eugenio Mendoza y Cia

MEMBERS OF THE FINANCIAL AND INDUSTRIAL COMMUNITY INVITED TO LUNCHEON
FOR SENATOR CAPEHART, NOVEMBER 23, 1959, AT 12:30 P.M., HOME OF ELDON J.
CASSODAY

Venezuelan

Mr. Diego Cisneros, a leading Caracas industrialist
Dr. Manuel Delgado Rovatti, Director of Bureau of Industry, Ministry of
Fomento
Dr. Hector Santaella, president of Banco America del Sur; special member
of Inter-ministerial Committee on revision of the United States-Vene-
zuealan Trade Agreement; former Venezuelan Ambassador in Washington;
former Secretary of Government Junta, 1958
Dr. Tomas Enrique Carrillo Batalla, president of Banco Republica
Dr. Ernesto Peltzer, financial and economic adviser to Banco Central de
Venezuela
Dr. Pedro Tinoco, Jr., attorney, Escritorio Tinoco; president of Mercantil de
Inversiones

American

Mr. James H. McCutcheon, treasurer, Creole Petroleum Corp.
Mr. J. W. Bargfrede, manager, First National City Bank

Official party

Senator Capehart
Mr. Denney

Embassy

Mr. Burrows
Mr. Cassoday

GUEST LIST: DINNER AT THE HOME OF MR. JOHN M. CATES, JR., NOVEMBER 23, 1959,
AT 8:15 P.M.

Venezuelan

Dr. Juan Moretti, Deputy, URD Party, Whip.
Dr. Arturo Uslar Pietri, Senator, Independent
Dr. Rafael Caldera, President of the Chamber of Deputies
Dr. Gonzalo Barrios, Congressman, AD Party President
Dr. Raul Leoni, President of the Congress and AD Party
Dr. Jesus Paz Galarraga, Congressman, Secretary General of AD Party

Official party

Senator Capehart
Mr. Denney

Embassy

Mr. Burrows
Mr. Cates
Mr. Moskowitz
Mr. Cassoday

Program for visit to Colombia, November 24-28, 1959

Tuesday, Nov. 24:

11:45 p.m.-- Arrival Barranquilla; accommodations at Hotel del Prado arranged by Avianca.

Wednesday, Nov. 25:

9-11 a.m.-- Flight from Barranquilla to Bogota.

12:30 p.m.-- Luncheon in Senator Capehart's honor by Mr. Max Crawford, manager, Colombian Petroleum Co., Hotel Tequendama (Senator and entire party, Ambassador McIntosh, Mr. Wells, Mr. Vaky, and Mr. Smith).

4:30 p.m.-- Call on President Lleras Camargo; Senator and Mr. Denney accompanied by Ambassador McIntosh.

7:30 p.m.-- Informal dinner with Ambassador and Mrs. McIntosh and Embassy officers at La Pompa Restaurant.

Thursday, Nov. 26:

Morning free.

9 a.m.----- Drive in countryside near Bogota, including visit to salt mines at Zipaquira.

12 noon.---- Call on Foreign Minister Turbay; Senator and Mr. Denney, accompanied by Ambassador McIntosh and Mr. Vaky.

12:45 p.m.-- Luncheon in Senator's honor by Dr. Ignacio Copete, president of Bank of the Republic, Banco de la Republica (Senator and entire party, Ambassador McIntosh and Mr. Wells).

5 p.m.----- Visit to Senate and House of Representatives of Colombia; brief remarks by Senator Capehart in each chamber.

6:30 p.m.-- Joint Thanksgiving services of Union Church (nondenominational Protestant) and St. Alban's Episcopal Church.

8:30 p.m.-- Buffet dinner by Ambassador McIntosh, Embassy residence; entire party.

Friday, Nov. 27:

8 a.m.----- Breakfast with labor leaders, Hotel Tequendama. Mr. Denney, representing Senator Capehart in latter's absence on account of illness; Ambassador McIntosh, Mr. Hurwitch, Mr. Vaky, Mr. Loeb, and Colombians listed on attached list.

10 a.m.----- Visit to Management Institute sponsored jointly by ICA and Colombia Institute of Administration. Course lecturer: Mr. George H. A. Smith. Entire party except Senator Capehart, Mr. Eaton, and Mr. Zondag.

12:45 p.m.-- Luncheon in Senator's honor by Colombia-American Chamber of Commerce (Mr. James Milne, president), Hotel Tequendama; entire party except Senator Capehart.

Saturday, Nov. 28:

3 p.m.----- Drive in agricultural and small industry region southwest of Bogota of; accompanied by Mr. Carlisle, Embassy political officer.

7 p.m.----- Informal dinner, Hotel Tequendama, with Mr. and Mrs. Carlisle.

9 p.m.----- Informal discussion on use of U.S. surplus agricultural commodities with Mr. Zondag (ICA) and Mr. Carlisle.

Sunday, Nov. 29:

9:30 a.m.---- Departure for Washington, D.C.

GUEST LIST: BREAKFAST WITH LABOR LEADERS, BOGOTA, COLOMBIA, NOVEMBER 27,
1959

Ambassador McIntosh
 Mr. Denney
 Mr. Vaky, Chief of Political Section
 Mr. Hurwitch, labor attaché
 Mr. Loeb, political officer
 Minister of Labor, Dr. Otto Morales Benitez, or Dr. Ramirez Castrillon, Director
 Trade Union Section, Ministry of Labor
 Antoino Diaz, president of Union de Trabajadores Colombianos (UTC) (Union
 of Colombian Workers)
 Justiniano Espinosa, secretary general of UTC
 Victor Julio Silva, president of Confederacion de Trabajadores Colombianos
 (CTC) (Confederation of Colombian Workers); also member of Congress
 Jose Raquel Mercado, secretary general, CTC
 Libano Chica Hincapie, vice president of CTC, and member of Congress
 Alberto Galindo, Member of Congress
 Delio Enciso, Member of Congress and former president of CTC
 Eduardo Vanegas, president of Maritime Workers of CTC
 Father Vicente Andrade, spiritual adviser to UTC

 APPENDIX V
PRIVATE U.S. CITIZENS ACCOMPANYING SENATOR CAPEHART AND PAYING THEIR
OWN WAY

1. Mr. Raymond F. Kelley, president, Dynamics Corp. of America, New York, N.Y.
2. Mr. Wallace G. Rouse, Berlanti Construction Co., Inc., New York, N.Y.
3. Mr. John A. Fairchild, Raytheon Manufacturing Co., New York, N.Y.
4. Mr. Samuel R. Harrell, General Grain, Inc., Indianapolis, Ind.
5. Mr. Russell W. McDermott, insurance executive, Indianapolis, Ind.
6. Mr. Charles W. Cole, Charles W. Cole & Sons, South Bend, Ind.
7. Mr. Charles E. Tweedle, Macon, Ga.
8. Mr. Earl Capehart, attorney, Indianapolis, Ind.
9. Mr. Horace M. Coats, A. L. Dougherty Co.
10. Mr. A. L. Dougherty,¹ A. L. Dougherty Co.
11. Mr. James Gregory, Indianapolis, Ind.
12. Mr. George H. Buschman, attorney, Cincinnati, Ohio
13. Mr. W. C. Thornton,¹ A. L. Dougherty Co.

¹ Jamaica, Haiti, and Dominican Republic only.



