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6th Congress }
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5 COMMITTEE PRINT

6
(FOREIGN COMMERCE STUDY

LATIN AMERICA: PANAMA, COLOMBIA, ECUADOR,
PERU, CHILE, ARGENTINA, BRAZIL, VENEZUELA,
DOMINICAN REPUBLIC, AND HAITI

REPORT

OF

SENATOR GEORGE A. SMATHERS
ON A STUDY MISSION

TO THE

COMMITTEE ON INTERSTATE AND
FOREIGN COMMERCE
UNITED STATES SENATE

Congress
2



APRIL 7, 1960

Printed for the use of the Committee on
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UNITED STATES
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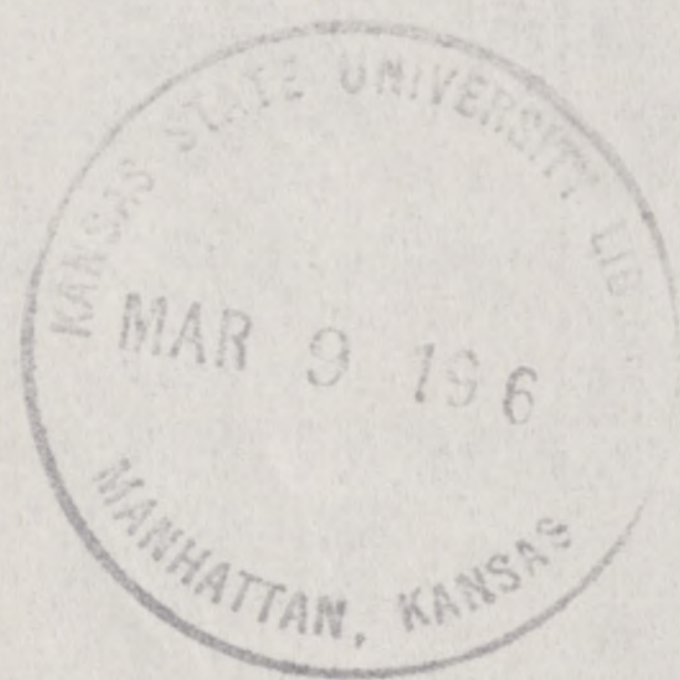
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CONTENTS

	Page
Foreword.....	v
Letter of transmittal.....	vi
I. Introduction.....	1
II. United States-Latin American trade trends.....	3
20 Republic tables.....	4
Individual country tables.....	5-24
Commodity losses and gains.....	25
Factors in decline of U.S. sales.....	26
Competitive problems in trade.....	30
III. Country-by-country political and economic situation.....	33
Panama.....	33
Colombia.....	37
Ecuador.....	38
Peru.....	39
Chile.....	41
Argentina.....	43
Brazil.....	45
Venezuela.....	46
Castro and the Caribbean.....	47
Dominican Republic.....	48
Haiti.....	49
IV Recommendations on trade.....	50
V General recommendations.....	52

FOREWORD

The current study of the foreign commerce of the United States is aimed at determining how U.S. trade is faring in the light of economic changes affecting world trade generally. Particular emphasis is being placed on measures which may be taken to expand our trade.

As part of the study, several members of the committee have made special surveys of regional trade problems. Senator George A. Smathers, of Florida, chairman of the Regional Subcommittee on Latin America, has long had an active interest in the area and its problems. His report is a substantial contribution to the study, and his recommendations deserve the thoughtful attention of committee members.

WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce.

LETTER OF TRANSMITTAL

U.S. SENATE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
April 7, 1960.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I transmit herewith a report on a trip which I made in January-February 1960 in my capacity as chairman of the Subcommittee on Latin American Trade of the Senate Interstate and Foreign Commerce Committee.

I was accompanied on my tour by Mr. Norman I. Gelman of the committee's foreign trade study staff and by Mr. William J. McHale of my staff. Both gentlemen contributed importantly to the subcommittee's mission. Mr. I. Paul Pedraza, traveling with me on behalf of the Florida Ports and Foreign Trade Council, served as my interpreter and enlarged our group talents greatly.

Everywhere we went, we enjoyed the hospitality and help of U.S. Ambassadors and U.S. Foreign Service officers. The information our representatives supplied and the understanding they exhibited are responsible in no small measure for any merit this report may have. I am also grateful to the presidents and other officials of foreign governments who so graciously received me and to the U.S. and local businessmen who shared their impressions with me and my group.

Without the cooperation many individuals, who cannot be here named, this report could not exist.

Sincerely,

GEORGE A. SMATHERS.

LATIN AMERICA: PANAMA, COLOMBIA, ECUADOR, PERU, CHILE, ARGENTINA, BRAZIL, VENEZUELA, DOMINICAN REPUBLIC, AND HAITI

I. INTRODUCTION

The recent visit by President Eisenhower to four countries of Latin America is both a symptom of and a spur to increased public interest in our hemispheric neighbors. The long-needed reexamination of our Latin American policies may now be in prospect.

Obviously, to understate the matter, much hinges on decisions to be taken—I hope at the very highest levels—in the weeks and months immediately ahead. Wise decisions, arrived at against a background of frank, full, and informed discussion, can open up a new era in United States-Latin American relations—a golden age of democratic progress toward solution of the many economic and social problems which afflict the hemisphere. Inadequate decisions, arrived at in ignorance or self-deceit, can open the floodgates to chaos.

REASON FOR TOUR

This tour was undertaken in my capacity as chairman of the Latin American Trade Subcommittee of the Senate Interstate and Foreign Commerce Committee. My primary mission, therefore, was to assess the United States-Latin American trade situation. This I attempted to do to the best of my ability within the rather strict limitations imposed by time. Before leaving Washington, however, my staff and I had already done a considerable amount of work on this subject, and so we were more in the position of checking facts and correcting impressions than of trying to learn all—from the ground up. Even so, 3½ weeks is not a very long time. But I feel I have learned much that is useful, and the fruit is a series of recommendations which I shall present at a later point in this report.

Commercial problems, however, cannot be set apart and studied in isolation. This is particularly true in Latin America. Commercial problems there are bound up intimately with the social, economic, and political problems of the individual countries and of the hemisphere. And so, necessarily, I also turned my attention during my visit to foreign policy matters.

Before I move into a detailed discussion of commercial matters and of country-by-country social, political, and economic problems, I want to make a few general observations.

GENERAL OBSERVATIONS

I have been active in Latin American affairs ever since I first entered Congress in January 1947. I am fortunate in being regarded in most places as a friend.

I had the privilege during my tour of visiting with the chief executive of each of the 10 countries in which I stopped, as well as other leading figures in government and business. In each case, our own Embassies gave me detailed briefings on local conditions. My staff and I talked, at length where possible, with resident U.S. businessmen, with local citizens, with church leaders, educators, newspapermen, missionaries, labor leaders, and students. In Lima, Peru, I spent a most revealing hour-and-a-half with Sr. Eudocio Ravines, once leader of the Peruvian Communist Party and, more recently, a convert to moral rearmament.

While I would not care to suggest that in 3½ weeks I exhausted the subject of United States-Latin American relations, I am convinced there is virtue in the quick, intensive look which allows the mind to capture major outlines and broad features. The nonspecialist is more often overwhelmed than instructed by a morass of detail. Moreover, this was my seventh trip to Latin America, and I think I have by now an adequate basis for comparing the past with the present.

SOUTH AMERICAN PHASE

In general, I was very much encouraged by what I found in the South American phase of my travels. The last time I visited South America, in 1955, half the countries on the continent were in the hands of cynical and ruthless men, dictators bent on plunder and headed for ruination. Today the dictators are all but gone. In their places, struggling with inherited problems, are for the most part able and dedicated men—Alberto Lleras Camargo in Colombia, Camilo Ponce in Ecuador, Manuel Prado and Pedro Beltran in Peru, Jorge Alessandri in Chile, Arturo Frondizi and Alvaro Alsogaray in Argentina, Juscelino Kubitschek in Brazil, Romulo Betancourt in Venezuela. From each conversation I came away heartened and hopeful.

But I do not deceive myself. As several of the leaders themselves quite frankly warned, the road ahead is steep and treacherous. One president told me: "Senator, we have at most 4 years. If we do not succeed by then in our reforms, we will have either another dictatorship or a bloody revolution. In either case, the hopes of democracy will be dead."

What this man and others are trying to do is to break the round of ignorance, poverty, disease, and misery which is all there has been in life for the vast majority of Latin Americans. It is essentially a world without a middle class. On top in most countries of Latin America is an oligarchy of small numbers and vast wealth. At the bottom, the masses of people are without land and without hope.

Most in the new generation of leaders recognize that such a social structure is inherently unstable as well as morally indefensible. They know that the dissolution of such a society is inevitable and that in all probability it cannot survive the sixties. They know that the choices are reform—or revolution and repression.

On either side of the narrow path to a better tomorrow lies a huge pit. On the one hand, waiting vulture-like to resume power are the same groups which plundered and bled the countries before. The enemies of democratic reform are very powerful in Latin America, and they will do what they can to prevent progress, which to many of them is

synonymous with loss of position and privilege. On the other hand, the Communists are hard at work—stoking the fires of discontent, slandering the reformers, preaching the gospel of revolution and class war. And among the innocent and the dispossessed, among the young who are by nature impatient for the millenium, among those wretched peoples for whom salvation is simply enough to eat, the volcanic mixture is already cooking and the time of eruption is drawing near.

The test for U.S. foreign policy is whether we can assist the moderates in negotiating this high wire strung across twin chasms. Within the next few years, concrete evidence must be given to the people of Latin America that genuine progress can be obtained through democratic methods. Otherwise the volcano will erupt—as in one instance it has already done to the detriment of the hemisphere and the debasement of decency. As a democracy and as a friend of democracies, the United States must support the moderate reformers of South America up to the limit of its capabilities. If we do effectively, I have every confidence we will see the development of a new and broad-based stability throughout the area, together with a steady progression toward relief of poverty and the inexorable spread of democratic institutions.

PROBLEMS IN THE CARIBBEAN

In the Caribbean, I regret to report, the situation is much less encouraging. Panama is seething with unrest. Cuba is in the grip of a bloody-handed left-wing dictatorship. The people of the Dominican Republic, after 30 years of iron rule, still lack the most elementary of political freedoms. Tiny Haiti, caught literally between suppression on the right and a reign of terror on the left, is struggling against odds with the worst poverty in the hemisphere.

Clearly the fuse is burning very close to the bomb. A number of difficult decisions need to be made in the Caribbean—and very quickly. Some of them, as I have already found out personally, may be hard politically. But we must either take the risks or take the consequences—and the consequences could be very unpleasant indeed.

So much for the broad picture. I turn now to specifics, beginning with a discussion of United States-Latin American trade and then moving into a brief country-by-country report on the political, economic, and social situation as I observed it during my visit. In some cases I have incorporated in the country reports some policy suggestions for alleviating existing problems. For the most part, my recommendations have been deferred to the concluding section of this paper.

II. UNITED STATES-LATIN AMERICAN TRADE TRENDS

The following tables, compiled from United Nations, International Monetary Fund, and Department of Commerce sources, summarize the overall pattern of United States-Latin American trade during selected years from 1938 through 1959:

Latin America—20 Republics

[In percent]

Area and commodity composition of trade	Exports					Imports				
	1954	1955	1956	1957	1958	1954	1955	1956	1957	1958
United States and Canada.....	45	46	47	46	46	51	49	52	54	51
Latin America.....	9	10	8	9	9	11	12	10	10	11
Continental Europe.....	20	18	20	20	19	22	22	21	21	22
Oversea territories.....	9	9	8	8	8	3	3	3	2	2
Sterling area.....	9	9	10	11	10	7	7	7	8	8
United Kingdom.....	(8)	(7)	(8)	(10)	(9)	(5)	(5)	(5)	(5)	(5)
Rest of the world.....	8	7	6	6	9	6	8	7	4	6
Soviet area.....		(3)	(2)	(1)	(1)	-----	(1.2)	(1.7)	(0.8)	(0.8)
Coffee.....	25	22	23	20	-----	-----	-----	-----	-----	-----
Petroleum.....	21	23	23	26	-----	-----	-----	-----	-----	-----
Sugar.....	7	8	7	9	-----	-----	-----	-----	-----	-----
Wool.....	3	3	3	2	-----	-----	-----	-----	-----	-----
Cotton.....	6	6	5	4	-----	-----	-----	-----	-----	-----

From International Financial Statistics, February 1960.

Prices (from Monthly Bulletin of Statistics and International Financial Statistics)—
United States: 1953=100, 1951=97, 1957=105, August 1959=109

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	1959
Total exports.....	1,749	6,493	7,000	7,592	7,761	7,769	8,395	8,480	7,971	-----
Exports to United States.....	542	2,484	3,533	3,484	3,397	3,511	3,867	3,812	3,581	-----
Total imports.....	1,542	5,997	7,011	6,130	7,069	7,310	7,559	8,905	8,104	-----
Imports from United States.....	522	3,485	3,713	3,117	3,426	3,418	3,802	4,690	4,003	-----
Trade balance.....	+207	+496	-11	+1,462	+692	+459	+836	-425	-133	-----
Balance with United States..	+20	-1,001	-180	+361	-29	+93	+65	-878	-422	-----
U.S. exports.....	-----	-----	3,480	3,134	3,377	3,308	3,863	4,673	4,186	3,495
U.S. imports.....	-----	-----	3,411	3,442	3,291	3,327	3,639	3,768	3,596	3,615
U.S. balance with 20 republics..	-----	-----	+69	-308	+86	-19	+224	+905	+590	-120

Upper set of figures from U.N. sources; lower set from Department of Commerce.

Leading import sources	Percent of all imports						
	1938	1948	1954	1955	1956	1957	1958
United States.....	33.9	58.1	48.5	46.8	50.3	52.1	49.0
Canada.....	1.0	2.0	2.4	2.1	2.0	2.0	2.0
Netherlands Antilles.....	1.9	3.1	3.1	2.6	2.8	2.1	2.0
Argentina.....	3.4	3.2	2.8	3.2	1.9	1.8	1.8
Brazil.....	1.3	3.1	2.4	2.2	1.6	1.9	2.1
Venezuela.....	-----	1.0	2.2	2.4	2.9	3.3	4.2
United Kingdom.....	13.1	8.3	4.7	4.6	4.6	5.2	5.3
Belgium.....	4.0	2.9	1.7	1.9	1.8	2.2	2.2
France.....	3.4	1.5	3.5	3.4	2.3	2.3	2.2
Germany.....	16.9	-----	7.0	5.4	5.6	3.4	1.6
East Germany.....	-----	-----	-----	1.5	1.9	4.2	6.7
West Germany.....	-----	-----	-----	-----	-----	-----	-----
Italy.....	3.1	3.3	2.2	2.8	2.6	2.8	3.1
Netherlands.....	1.6	.6	1.9	2.2	2.0	1.8	2.0
Sweden.....	1.6	1.8	1.8	1.6	1.9	2.0	1.9
Switzerland.....	1.2	1.6	1.3	1.3	1.2	1.1	1.2
Eastern Europe.....	2.2	.7	1.6	2.4	2.1	.8	.8
Japan.....	2.2	-----	2.3	2.4	2.6	1.3	1.8

Figures from U.N. sources.

These tables give the totals of 20 republic exports and imports, 20 republic exports to and imports from the United States, U.S. exports to and imports from Latin America,¹ the area distribution of Latin American trade, the extent of dependence on leading primary commodities, and, finally, leading 20 republic import sources in 1938, 1948, and 1954-58.

Below are summary tables for each of the 20 republics individually:

Argentina

[In percent]

Area and commodity composition of trade	Exports						Imports					
	1954	1955	1956	1957	1958	3d quarter 1959	1954	1955	1956	1957	1958	2d quarter 1959
United States and Canada.....	12	13	12	12	13	-----	16	16	21	25	17	19
Latin America.....	17	19	11	15	13	-----	24	21	19	22	22	26
Continental Europe.....	35	25	37	41	36	-----	25	23	26	27	31	30
Oversea territories.....	-----	-----	-----	1	-----	-----	4	4	6	4	4	3
Sterling area.....	20	22	22	25	24	-----	17	14	10	18	15	14
(United Kingdom).....	(19)	(22)	(21)	(24)	(24)	-----	(8)	(7)	(5)	(8)	(8)	(8)
Rest of the world.....	17	21	17	6	14	-----	14	24	18	3	11	8
Wheat.....	20	26	16	16	13	16	-----	-----	-----	-----	-----	-----
Corn.....	11	3	7	5	8	11	-----	-----	-----	-----	-----	-----
Meat.....	15	22	26	26	30	26	-----	-----	-----	-----	-----	-----
Wool.....	12	13	13	12	10	13	-----	-----	-----	-----	-----	-----
Hides.....	6	6	7	6	6	7	-----	-----	-----	-----	-----	-----
Linseed.....	4	3	2	3	4	4	-----	-----	-----	-----	-----	-----
Quebracho extract.....	3	3	3	3	2	2	-----	-----	-----	-----	-----	-----

From International Financial Statistics, February 1960.

Prices (from *Monthly Bulletin of Statistics and International Financial Statistics*):
1953=100, 1951=69, 1957=165, September 1959=525

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	1959
Total exports.....	461	1,627	709	1,166	1,080	929	944	975	994	-----
Exports to United States.....	46	159	162	181	122	118	118	113	128	-----
Total imports.....	491	1,590	1,195	877	955	1,173	1,128	310	233	-----
Imports from United States.....	100	604	230	124	141	154	230	307	202	-----
Trade balance.....	-30	+37	-486	+289	+125	-244	-184	-335	-239	-----
Balance with United States..	-54	-445	-68	+57	-19	-36	-112	-194	-74	-----
U.S. exports.....	-----	-----	148	104	123	148	212	202	249	231
U.S. imports.....	-----	-----	159	182	103	126	133	129	133	126
U.S. balance with Argentina.....	-----	-----	-11	-78	+20	+22	+79	+153	+116	+105

Upper set of figures from U.N. sources; lower set from Department of Commerce.

¹ Due to reporting differences, U.S. and country figures on mutual trade relations may vary substantially.

Bolivia

[In percent]

Area and commodity composition of trade	Exports						Imports				
	1954	1955	1956	1957	1958	2d quarter, 1959	1954	1955	1956	1957	1958
United States and Canada.....	59	60	53	34	34	-----	43	43	47	48	47
Latin America.....	2	1	7	8	2	-----	29	23	25	20	17
Continental Europe.....	3	4	3	5	4	-----	17	25	21	21	27
Sterling area.....	36	33	38	53	59	-----	7	8	6	9	6
(United Kingdom).....	(36)	(33)	(38)	(53)	(59)	-----	(7)	(8)	(6)	(9)	(6)
Rest of the world.....	-----	3	-----	-----	1	-----	3	3	1	3	4
Tin.....	65	58	59	60	58	69	-----	-----	-----	-----	-----
Tungsten.....	15	16	15	7	2	2	-----	-----	-----	-----	-----
Lead.....	6	6	8	9	9	6	-----	-----	-----	-----	-----
Zinc.....	5	6	5	6	5	1	-----	-----	-----	-----	-----
Silver.....	5	5	7	5	8	5	-----	-----	-----	-----	-----

From International Financial Statistics, February 1960.

Prices (from monthly Bulletin of Statistics and International Financial Statistics):
 1953=100, 1951=40, 1957=2428, May 1959=2940

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	1959
Total exports.....	34.0	98.0	151.0	83.8	70.0	76.0	81.0	74.0	50.0	-----
Exports to United States ¹	1.6	70.6	92.5	69.0	62.7	61.0	55.5	33.0	18.8	-----
Total imports.....	29.0	79.0	93.0	68.0	73.0	81.0	84.0	92.0	79.6	-----
Imports from United States ¹	6.5	33.7	38.0	21.6	24.9	31.2	38.5	43.3	27.2	-----
Trade balance.....	+5.0	+19.0	+14.0	+16.0	-3.0	-5.0	-3.0	-18.0	-29.6	-----
Balance with United States.....	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	-----
U.S. exports.....	-----	-----	30.0	19.0	31.0	39.0	49.0	34.0	29.0	23.0
U.S. imports.....	-----	-----	56.0	62.0	47.0	41.0	42.0	16.0	9.0	8.0
U.S. balance with Bolivia.....	-----	-----	-26.0	-43.0	-16.0	-2.0	+7.0	+18.0	+20.0	+15.0

¹ Bolivia reports trade figures at foreign market prices; total exports are presented here as International Financial Statistics estimates, which correct for freight costs.

² Not relevant due to freight factor.

Upper set of figures from U.N. sources; lower set from Department of Commerce.

Brazil

[In percent]

Area and commodity composition of trade	Exports						Imports					
	1954	1955	1956	1957	1958	2d quarter 1959	1954	1955	1956	1957	1958	2d quarter 1959
United States and Canada.....	38	43	51	49	44	46	36	25	30	38	37	37
Latin America.....	9	10	7	10	12	8	14	22	19	16	18	18
Continental Europe.....	35	28	26	23	26	27	30	30	23	26	25	25
Oversea territories.....				1	2	2	8	6	5	4	5	4
Sterling area.....	6	6	5	6	6	8	2	4	7	7	7	6
(United Kingdom).....	(5)	(4)	(4)	(5)	(4)	(6)	(1)	(1)	(3)	(3)	(3)	(3)
Rest of the world.....	11	13	11	11	10	9	10	13	15	9	8	10
Coffee.....	61	59	70	61	55							
Cotton.....	14	9	6	3	2							
Cacao.....	9	6	5	5	7							

From International Financial Statistics, February 1960.

Prices (from *Monthly Bulletin of Statistics and International Financial Statistics*):
 1953=100, 1951=67, 1957=206, August 1959=339.

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	1959
Total exports.....	289	1,173	1,409	1,539	1,562	1,423	1,483	1,391	1,243	-----
Exports to United States.....	99	507	727	745	579	602	735	660	534	-----
Total imports.....	295	1,134	2,010	1,319	1,634	1,307	1,234	1,489	1,353	-----
Imports from United States.....	71	588	837	366	537	309	355	548	483	-----
Trade balance.....	-6	+39	-601	+220	-72	+116	+249	-98	-110	-----
Balance with United States..	+28	-81	-110	+379	+42	+293	+380	+112	+51	-----
U.S. exports.....			565	297	456	241	309	482	532	406
U.S. imports.....			808	769	682	632	746	700	572	629
U.S. balance with Brazil.....			-243	-472	-226	-391	-437	-218	-40	-223

Upper set of figures from U.N. sources; lower set from Department of Commerce.



Chile

[In percent]

Area and commodity composition of trade	Exports					Imports				
	1954	1955	1956	1957	1958	1954	1955	1956	1957	1958
United States and Canada.....	46	43	45	42	41	42	44	47	53	52
Latin America.....	15	13	9	8	10	31	24	18	15	13
Continental Europe.....	20	25	25	31	31	18	21	23	23	21
Sterling area.....	14	18	17	15	15	5	6	6	6	8
(United Kingdom).....	(14)	(17)	(17)	(15)	(14)	(5)	(6)	(5)	(6)	(7)
Rest of the world.....	5	2	4	4	4	4	4	6	3	6
Copper.....	60	68	73	67						
Nitrates.....	17	12	10	10						

From International Financial Statistics, February 1960.

Prices (from *Monthly Bulletin of Statistics and International Financial Statistics*):
 1953=100, 1951=65, 1957=627, September 1959=1130

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	1959
Total exports.....	141	330	462	415	403	475	544	458	¹ 229	-----
Exports to United States.....	22	174	264	265	187	201	244	190	¹ 88	-----
Total imports.....	103	269	371	336	343	376	354	441	¹ 293	-----
Imports from United States.....	29	114	191	177	140	162	162	229	150	-----
Trade balance.....	+38	+61	+91	+79	+60	+99	+190	+17	¹ -64	-----
Balance with United States..	-7	+60	+73	+88	-47	+39	+82	-39	¹ -62	-----
U.S. exports.....			130	98	75	91	158	195	148	137
U.S. imports.....			286	242	197	200	237	196	156	212
U.S. balance with Chile.....			-156	-144	-122	-109	-79	-1	-8	-75

Upper set of figures from U.N. sources; lower set from Department of Commerce.

¹ 8 months; International Financial Statistics figures for year:

Exports.....	386
Imports.....	415
Total.....	-29

Colombia

[In percent]

Area and commodity composition of trade	Exports						Imports					
	1954	1955	1956	1957	1958	3d quarter 1959	1954	1955	1956	1957	1958	2d quarter 1959
United States and Canada.....	81	75	74	73	71	-----	65	66	65	63	62	64
Latin America.....	1	1	1	2	2	-----	3	4	3	3	4	5
Continental Europe.....	11	15	15	15	17	-----	22	22	24	23	25	24
Oversea territories.....	5	4	5	6	5	-----	3	2	2	3	-----	-----
Sterling area.....	1	2	2	3	3	-----	5	5	4	5	5	4
(United Kingdom.....)	-----	(1)	(1)	(1)	(2)	-----	(5)	(4)	(4)	(5)	(4)	(4)
Rest of the world.....	1	2	2	2	3	-----	2	2	3	3	3	3
Coffee.....	84	84	79	76	78	77	-----	-----	-----	-----	-----	-----
Petroleum.....	12	11	12	14	14	15	-----	-----	-----	-----	-----	-----

From International Financial Statistics, February 1960.

Prices (from *Monthly Bulletin of Statistics and International Financial Statistics*):
 1953=100, 1951=95, 1957=133, September 1959=162

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	1959
Total exports.....	81	289	473	596	657	584	599	511	454	-----
Exports to United States.....	43	240	381	477	518	431	435	359	318	-----
Total imports.....	89	337	415	547	682	669	657	483	387	-----
Imports from United States.....	44	235	279	338	421	421	406	289	228	-----
Trade balance.....	-8	-48	+58	+49	-25	-85	-58	+28	+67	-----
Balance with United States..	-1	+5	+102	+139	+93	+10	+29	+70	+90	-----
U.S. exports.....	-----	-----	231	285	343	331	323	241	185	206
U.S. imports.....	-----	-----	384	466	506	441	410	388	333	340
U.S. balance with Colombia ..	-----	-----	-151	-181	-163	-110	-87	-142	-148	-134

Upper set of figures from U.N. sources; lower set from Department of Commerce.

Costa Rica

[In percent]

Area and commodity composition of trade	Exports						Imports				
	1954	1955	1956	1957	1958	2d quarter, 1959	1954	1955	1956	1957	1958
United States and Canada.....	68	59	53	60	59	49	61	36	57	58	55
Latin America.....	5	5	5	7	6	5	4	4	7	5	6
Continental Europe.....	25	34	40	32	32	43	19	19	21	23	23
Oversea territories.....							5	3	4	4	4
Sterling area.....		1	1		1	1	8	7	7	6	7
(United Kingdom).....		(1)	(1)		(1)	(1)	(7)	(7)	(6)	(5)	(6)
Rest of the world.....					1	1	3	3	3	4	6
Bananas.....	42	41	38	39	29	24					
Coffee.....	41	46	50	49	55	57					
Cacao.....	10	7	4	5	6	7					

From International Financial Statistics, February 1960.

Prices (from monthly bulletin of statistics and international financial statistics):
1953=100, 1951=102, 1957=110, August 1959=112

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	2d quarter 1959
Total exports.....	10.1	46	73	80	84	81	68	83	97	
Exports to United States.....	4.6	38	53	53	51	44	34	43	50	
Total imports.....	12.6	42	68	74	80	88	91	103	101	
Imports from United States.....	6.1	33	43	44	47	52	50	57	53	
Trade balance.....	-2.5	+4	+5	+6	+4	-7	-23	-20	-4	
Balance with United States.....	-1.5	+5	+10	+9	+4	-8	-16	-14	-3	
U.S. exports.....			34	38	41	43	43	48	42	22
U.S. imports.....			31	35	33	28	19	28	36	19
U.S. balance with Costa Rica.....			+3	+3	+8	+15	+24	+20	+6	+3

Upper set of figures from U.N. sources; lower set from Department of Commerce.

Cuba

[In percent]

Area and commodity composition of trade	Exports						Imports				
	1954	1955	1956	1957	1958	1st quarter, 1959	1954	1955	1956	1957	1958
United States and Canada.....	70	69	66	59	69	78	80	76	77	77	72
Latin America.....	3	2	3	2	1	3	3	4	3	6	10
Continental Europe.....	8	9	11	13	8	7	9	9	8	7	9
Oversea territories.....	2	2	1	3	3	5	3	3	4	2	1
Sterling area.....	10	3	5	7	7	3	14	4	5	5	5
(United Kingdom).....	(4)	(1)	(4)	(5)	(5)	(1)	(2)	(2)	(3)	(3)	(3)
Rest of the world.....	8	15	13	15	12	4	2	3	3	2	3
Sugar.....	80	80	79	81	83	72					
Tobacco.....	7	7	7	6	7	9					

From International Financial Statistics, February 1960.

Prices (from *Monthly Bulletin of Statistics and International Finance Statistics*):
 1953=100, 1951=65, 1957=97, 2d quarter 1958=101

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	2d quarter 1959
Total exports.....	143	710	675	640	539	594	666	808	734	
Exports to United States.....	109	367	409	393	369	401	431	468	491	
Total imports.....	106	527	618	490	488	575	649	642		
Imports from United States.....	75	421	463	371	367	423	488	452		
Trade balance.....	+37	+183	+57	+150	+51	+19	+17	+166		
Balance with United States.....	-34	-54	-54	+22	+2	-22	-57	+16		
U.S. exports.....			516	427	429	451	519	618	546	208
U.S. imports.....			440	431	401	422	457	482	528	260
U.S. balance with Cuba.....			+76	-4	+28	+29	+62	+136	+18	-52

Upper set of figures from U.N. sources; lower set from Department of Commerce.

Dominican Republic

[In percent]

Area and commodity composition of trade	Exports						Imports					
	1954	1955	1956	1957	1958	2d quarter 1959	1954	1955	1956	1957	1958	1st quarter 1959
United States and Canada.....	60	56	47	41	54	50	71	70	70	66	65	69
Latin America.....	2	1	1	-----	1	3	2	3	2	3	3	3
Continental Europe.....	9	12	16	17	11	12	14	12	14	16	16	15
Oversea territories.....	4	2	2	2	2	2	6	6	6	5	4	5
Sterling area.....	24	23	27	36	25	25	4	5	5	6	7	5
United Kingdom.....	(21)	(21)	(26)	(23)	(24)	(20)	(3)	(3)	(3)	(4)	(4)	(3)
Rest of the world.....	3	6	7	4	7	8	3	4	3	4	5	3
Sugar.....	34	39	48	55	44	54	-----	-----	-----	-----	-----	-----
Coffee.....	26	25	26	16	17	19	-----	-----	-----	-----	-----	-----
Cacao.....	27	21	12	12	21	10	-----	-----	-----	-----	-----	-----
Tobacco.....	4	4	4	3	4	3	-----	-----	-----	-----	-----	-----

From International Financial Statistics, February 1960.

Prices (from Monthly Bulletin of Statistics and International Financial Statistics):
 1953=100, 1951=100, 1957=104, July 1959=104

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	2d quarter 1959
Total exports.....	14.3	82	115	104	120	115	125	161	134	-----
Exports to United States.....	4.9	34	54	53	71	64	59	65	71	-----
Total imports.....	11.3	65	97	87	83	98	108	117	-----	-----
Imports from United States.....	6.0	52	68	59	55	64	71	73	-----	-----
Trade balance.....	+3.0	+17	+18	+17	+37	+17	+17	+44	-----	-----
Balance with United States..	-1.1	-18	-14	-6	+16	0	-12	-8	-----	-----
U.S. exports.....	-----	-----	54	48	52	60	70	74	76	35
U.S. imports.....	-----	-----	56	52	72	62	60	63	72	39
U.S. balance with Dominican Republic.....	-----	-----	-2	-4	-20	-2	+10	+11	+4	-4

Upper set of figures from U.N. sources; lower set from Department of Commerce.

Ecuador

[In percent]

Area and commodity composition of trade	Exports						Imports					
	1954	1955	1956	1957	1958	3d quarter 1959	1954	1955	1956	1957	1958	1st quarter 1959
United States and Canada.....	65	61	60	58	54	-----	60	57	55	56	52	54
Latin America	13	12	10	13	12	-----	7	8	7	3	6	7
Continental Europe	20	23	26	25	28	-----	25	26	29	30	32	28
Sterling area	1	1	2	1	1	-----	7	7	7	8	6	7
(United Kingdom)	(1)	(1)	(2)	(1)	(1)	-----	(6)	(6)	(6)	(7)	(5)	(6)
Rest of the world	2	3	1	3	4	-----	2	2	2	2	3	2
Bananas	41	55	51	52	56	63	-----	-----	-----	-----	-----	-----
Coffee	22	20	26	22	19	12	-----	-----	-----	-----	-----	-----
Cacao	27	16	15	14	15	18	-----	-----	-----	-----	-----	-----
Rice	3	2	1	4	3	2	-----	-----	-----	-----	-----	-----

From International Financial Statistics, February 1960.

Price (from *Monthly Bulletin of Statistics and International Financial Statistics*):
 1953=100, 1951=97, 1957=102, June 1959=104

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	1959
Total exports.....	11.9	49	80	76	100	90	94	99	89	-----
Exports to United States.....	4.5	21	44	48	65	55	56	57	48	-----
Total imports.....	10.5	50	58	63	86	90	80	98	87	-----
Imports from United States.....	3.6	34	36	38	46	47	42	52	43	-----
Trade balance	+1.4	-1	+22	+13	+14	0	+14	+1	+2	-----
Balance with United States..	+ .9	-13	+8	+10	+19	+8	+14	+5	+5	-----
U.S. exports.....	-----	-----	37	42	48	46	46	51	47	49
U.S. imports.....	-----	-----	43	45	61	53	53	58	56	60
U.S. balance with Ecuador.....	-----	-----	-6	-3	-13	-7	-7	-7	-9	-11

Upper set of figures from U.N. sources; lower set from Department of Commerce.

El Salvador

[In percent]

Area and commodity composition of trade	Exports						Imports				
	1954	1955	1956	1957	1958	2d quarter, 1959	1954	1955	1956	1957	1958
United States and Canada.....	73	66	45	46	40	-----	61	59	54	53	50
Latin America.....	5	4	5	5	7	-----	14	12	13	12	14
Continental Europe.....	17	23	36	42	40	-----	19	22	23	24	25
Sterling area.....	3	2	3	1	1	-----	3	3	4	5	4
United Kingdom.....	(3)	(2)	(3)	(1)	(1)	-----	(3)	(3)	(4)	(5)	(4)
Rest of the world.....	2	4	12	5	11	-----	3	4	6	7	6
Coffee.....	88	86	77	79	73	66	-----	-----	-----	-----	-----
Cotton.....	6	8	16	11	16	-----	-----	-----	-----	-----	-----

Source: From International Financial Statistics February 1960.

Prices (from Monthly Bulletin of Statistics and International Financial Statistics):
 1953=100, 1951=95, 1957=102, July 1959=107

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	2d quarter 1959
Total exports.....	10.9	46	88	90	105	107	113	139	96	-----
Exports to United States.....	6.7	35	74	73	76	69	50	63	34	-----
Total imports.....	9.1	42	68	72	87	92	105	115	91	-----
Imports from United States.....	4.2	30	42	44	51	52	55	59	44	-----
Trade balance.....	+1.8	+4	+20	+18	+18	+15	+8	+24	+5	-----
Balance with United States.....	+2.5	+5	+32	+29	+25	+17	-5	+4	-10	-----
U.S. exports.....	-----	-----	37	37	41	47	50	50	45	19
U.S. imports.....	-----	-----	61	65	61	62	49	56	49	26
U.S. balance with El Salvador.....	-----	-----	-24	-28	-20	-15	+1	-6	-4	-7

Upper set of figures from U.N. sources; lower set from Department of Commerce.

Guatemala

[In percent]

Area and commodity composition of trade	Exports						Imports				
	1954	1955	1956	1957	1958	1st quarter, 1959	1954	1955	1956	1957	1958
United States and Canada.....	73	76	70	68	66	-----	67	67	69	63	62
Latin America.....	2	2	2	4	5	-----	7	8	6	7	6
Continental Europe.....	24	20	25	27	26	-----	15	13	14	18	19
Oversea territories.....	-----	-----	-----	-----	-----	-----	6	6	6	5	5
Sterling area.....	1	1	1	1	1	-----	4	5	4	5	6
(United Kingdom).....	(1)	(1)	(1)	(1)	(1)	-----	(4)	(4)	(4)	(5)	(5)
Rest of the world.....	-----	1	1	1	3	-----	2	1	1	1	1
Coffee.....	71	71	74	72	72	71	-----	-----	-----	-----	-----
Bananas.....	19	16	12	13	12	-----	-----	-----	-----	-----	-----

From International Financial Statistics, February 1960.

Prices (from Monthly Bulletin of Statistics and International Financial Statistics):
1953=100, 1951=88, 1957=279, September 1959=587

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	2d quarter 1959
Total exports.....	16.3	50	87	89	96	99	116	109	-----	-----
Exports to United States.....	11.3	45	73	68	68	73	83	73	-----	-----
Total imports.....	16.7	68	76	80	86	107	122	131	-----	-----
Imports from United States.....	7.4	52	48	51	56	70	82	80	-----	-----
Trade balance.....	-.4	-18	+11	+9	+10	-8	-6	-22	-----	-----
Balance with United States.....	+3.9	-7	+25	+17	+12	+3	+1	-7	-----	-----
U.S. exports.....	-----	-----	40	45	48	57	83	81	79	34
U.S. imports.....	-----	-----	64	63	66	71	79	74	66	32
U.S. balance with Guatemala.....	-----	-----	-24	-18	-18	-14	+4	+7	+13	+2

Upper set of figures from U.N. sources; lower set from Department of Commerce.

Haiti

[In percent]

Area and commodity composition of trade	Exports					Imports				
	1954	1955	1956	1957	1958	1954	1955	1956	1957	1958
United States and Canada.....	46	42	34	-----	-----	73	70	69	-----	-----
Latin America.....	-----	1	-----	-----	-----	2	1	1	-----	-----
Continental Europe.....	51	51	60	-----	-----	14	14	15	-----	-----
Oversea territories.....	-----	-----	-----	-----	-----	3	4	4	-----	-----
Sterling area.....	2	2	2	-----	-----	7	7	6	-----	-----
(United Kingdom).....	(2)	(2)	(2)	-----	-----	(4)	(4)	(3)	-----	-----
Rest of the world.....	1	4	3	-----	-----	1	3	5	-----	-----
Coffee.....	79	66	71	61	74	-----	-----	-----	-----	-----
Sisal.....	9	16	14	18	13	-----	-----	-----	-----	-----
Sugar.....	3	5	6	9	2	-----	-----	-----	-----	-----

From International Financial Statistics, February 1960.

Prices (from Monthly Bulletin of Statistics and International Financial Statistics):
1953=100, 1951=88, 1957=279, September 1959=587

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	2d quarter, 1959
Total exports.....	6.9	30	52	38	55	36	42	47	-----	-----
Exports to United States.....	2.9	18	28	17	25	15	14	18	-----	-----
Total imports.....	7.5	31	53	44	48	40	46	39	-----	-----
Imports from United States.....	4.1	25	37	29	31	26	29	24	-----	-----
Trade balance.....	- .6	-1	-1	-6	+7	-4	-4	+8	-----	-----
Balance with United States.....	-1.2	-7	-9	-12	-6	-11	-15	-6	-----	-----
U.S. exports.....	-----	-----	33	29	36	32	37	24	25	10
U.S. imports.....	-----	-----	30	17	25	16	15	18	23	7
United States balance with Haiti.....	-----	-----	+3	+12	+11	+16	+22	+6	+2	+3

Upper set of figures from U.N. sources; lower set from Department of Commerce.

Honduras

[In percent]

Area and commodity composition of trade	Exports						Imports				
	1954	1955	1956	1957	1958	2d quarter, 1959	1954	1955	1956	1957	1958
United States and Canada.....	81	71	75	70	68	-----	69	67	69	65	61
Latin America.....	11	16	13	17	16	-----	7	7	5	6	10
Continental Europe.....	7	11	10	11	12	-----	11	11	11	10	13
Oversea territories.....	-----	-----	-----	-----	-----	-----	5	5	5	6	6
Sterling area.....	1	1	1	2	3	-----	3	3	3	3	4
(United Kingdom).....	-----	(1)	(1)	(1)	(1)	-----	(3)	(3)	(3)	(2)	(3)
Rest of the world.....	-----	-----	-----	-----	3	-----	5	6	6	10	7
Bananas.....	52	46	60	52	56	46	-----	-----	-----	-----	-----
Coffee.....	26	22	19	18	15	24	-----	-----	-----	-----	-----
Silver.....	5	6	2	3	3	3	-----	-----	-----	-----	-----
Wood.....	6	11	7	12	9	9	-----	-----	-----	-----	-----

From International Financial Statistics, February 1960.

Prices (from *Monthly Bulletin of Statistics and International Financial Statistics*);
 1953=100, 1951=100, 1957=108, July 1959=111

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	2d quarter 1959
Total exports.....	8.1	22	61	67	57	52	73	64	-----	-----
Exports to United States.....	7.1	16	48	53	44	36	47	42	-----	-----
Total imports.....	10.3	36	58	54	52	54	59	69	-----	-----
Imports from United States.....	6.3	28	43	39	35	36	40	44	-----	-----
Trade balance.....	-2.2	-14	+3	+13	+5	-2	+14	-5	-----	-----
Balance with United States.....	+1.8	-12	+5	+14	+9	0	+7	-2	-----	-----
U.S. exports.....	-----	-----	42	36	34	34	39	42	36	17
U.S. imports.....	-----	-----	23	30	27	23	30	26	28	17
U.S. balance with Honduras.....	-----	-----	+19	+6	+7	+11	+9	+16	+8	0

Upper set of figures from U.N. sources: lower set from Department of Commerce.

Mexico

[In percent]

Area and commodity composition of trade	Exports						Imports					
	1954	1955	1956	1957	1958	3d quarter 1959	1954	1955	1956	1957	1958	2d quarter 1959
United States and Canada.....	74	75	74	78	79	-----	83	83	81	80	79	76
Latin America.....	5	4	4	5	5	-----	1	-----	1	1	1	1
Continental Europe.....	6	9	11	9	8	-----	11	12	12	13	14	16
Sterling area (United Kingdom).....	(8)	(5)	(4)	(2)	(2)	-----	(2)	(2)	(2)	(3)	(3)	(3)
Rest of the world.....	7	8	7	5	5	-----	1	2	1	2	1	2
Cotton.....	29	28	30	23	26	27	-----	-----	-----	-----	-----	-----
Coffee.....	14	13	12	15	10	10	-----	-----	-----	-----	-----	-----
Lead.....	19	7	6	7	5	4	-----	-----	-----	-----	-----	-----
Zinc.....	4	3	5	6	3	3	-----	-----	-----	-----	-----	-----
Copper.....	9	8	8	5	4	4	-----	-----	-----	-----	-----	-----

From International Financial Statistics, February 1960.

Prices (from *Monthly Bulletin of Statistics and International Financial Statistics*):
 1953=100, 1951=89, 1957=135, August 1959=154

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	1959
Total exports.....	186	477	593	496	502	622	660	585	566	-----
Exports to United States.....	125	360	466	367	365	463	481	452	439	-----
Total imports.....	109	529	739	807	799	884	1,072	1,155	1,127	-----
Imports from United States.....	63	459	612	671	647	701	839	890	869	-----
Trade balance.....	+77	-52	-146	-311	-297	-262	-412	-570	-561	-----
Balance with United States..	+62	-99	-146	-304	-282	-238	-358	-438	-430	-----
U.S. exports.....	-----	-----	666	646	634	700	851	902	885	731
U.S. imports.....	-----	-----	410	355	382	397	401	430	451	437
U.S. balance with Mexico.....	-----	-----	+256	+291	+252	+308	+450	+472	+428	+294

Upper set of figures from U.N. sources; lower set from Department of Commerce.



Nicaragua

[In percent]

Area and commodity composition of trade	Exports						Imports					
	1954	1955	1956	1957	1958	3d quarter 1959	1954	1955	1956	1957	1958	2d quarter 1959
United States and Canada.....	46	39	39	41	40	22	67	67	64	60	57	57
Latin America.....	6	5	3	5	5	6	-----	7	7	8	10	12
Continental Europe.....	24	36	39	39	36	38	15	14	15	18	17	13
Oversea territories.....	1	1	1	1	1	1	5	6	7	7	7	7
Sterling area.....	12	7	8	10	8	7	4	4	4	4	5	6
(United Kingdom).....	(12)	(6)	(7)	(10)	(7)	(7)	(3)	(3)	(4)	(4)	(4)	(5)
Rest of the world.....	11	13	10	5	11	26	3	2	3	3	5	5
Coffee.....	46	42	40	44	38	23	-----	-----	-----	-----	-----	-----
Cotton.....	31	43	41	34	39	54	-----	-----	-----	-----	-----	-----
Sesame.....	4	2	2	3	3	3	-----	-----	-----	-----	-----	-----

From International Financial Statistics, February 1960.

Prices (from Monthly Bulletin of Statistics and International Financial Statistics):
1953=100, 1951=88, 1957=114, May 1959=117

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	2d quarter 1959
Total exports.....	5.8	27	51	55	63	80	65	71	71	-----
Exports to United States.....	3.9	20	27	25	29	30	25	28	26	-----
Total imports.....	5.1	24	40	44	58	70	69	81	78	-----
Imports from United States.....	3.0	20	28	28	38	45	43	47	43	-----
Trade balance.....	+7	+3	+11	+11	+5	+10	-4	-10	-7	-----
Balance with United States.....	+9	0	-1	-3	-19	-15	-18	-19	-17	-----
U.S. exports.....	-----	-----	25	26	37	39	34	39	38	13
U.S. imports.....	-----	-----	23	25	26	26	20	22	21	11
U.S. balance with Nicaragua.....	-----	-----	+2	+1	+11	+13	+14	+17	+17	+2

Upper set of figures from U.N. sources; lower set from Department of Commerce.

Panama

[In percent]

Area and commodity composition of trade	Exports						Imports				
	1954	1955	1956	1957	1958	2d quarter, 1959	1954	1955	1956	1957	1958
United States and Canada	86	87	96	89	96	-----	65	62	62	61	57
Latin America	9	9	1	4	-----	-----	4	4	4	3	3
Continental Europe	1	2	1	2	2	-----	10	11	11	11	12
Sterling area	1	-----	-----	-----	-----	-----	6	7	6	6	6
(United Kingdom)	1	-----	-----	-----	-----	-----	(4)	(4)	(4)	(4)	(4)
Rest of the world	4	1	1	5	1	-----	15	17	16	19	22
Bananas	73	74	73	71	68	68	-----	-----	-----	-----	-----
Cacao	6	3	2	3	3	4	-----	-----	-----	-----	-----
Reexports	6	7	7	5	6	5	-----	-----	-----	-----	-----

From International Financial Statistics, February 1960.

Prices (from Monthly Bulletin of Statistics and International Financial Statistics):
 1953=100, 1951=101, 1957=99, September 1959=99

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	2d quarter, 1959
Total exports	3.7	15	16	18	18	22	19	24	21	-----
Exports to United States	3.3	10	11	15	16	19	17	22	20	-----
Total imports	17.6	64	74	71	73	76	84	99	93	-----
Imports from United States	10.1	48	48	46	45	45	50	59	51	-----
Trade balance	-13.9	-49	-58	-53	-55	-54	-65	-75	-72	-----
Balance with United States	-6.8	-38	-37	-31	-29	-26	-33	-37	-31	-----
U.S. exports	-----	-----	75	83	100	76	69	85	84	46
U.S. imports	-----	-----	14	17	18	20	20	24	24	14
U.S. balance with Panama	-----	-----	+61	+66	+82	+56	+49	+61	+60	+32

Upper set of figures from U.N. sources; lower set from Department of Commerce.

Paraguay

[In percent]

Area and commodity composition of trade	Exports						Imports					
	1954	1955	1956	1957	1958	3d quarter 1959	1954	1955	1956	1957	1958	3d quarter 1959
United States and Canada.....	19	18	18	25	24	33	20	14	13	24	27	21
Latin America.....	53	48	40	37	40	22	37	46	40	39	25	27
Continental Europe.....	3	13	13	16	15	17	24	20	13	16	18	18
Oversea territories.....							4	6	10	8	8	9
Sterling area.....	8	9	15	16	12	12	104	7	8	8	8	9
(United Kingdom).....	(8)	(9)	(15)	(16)	(12)	(12)	(10)	(7)	(8)	(8)	(8)	(9)
Rest of the world.....	18	11	14	6	9	17	5	9	16	4	15	14
Timber.....	33	37	32	29	29	14						
Cotton.....	20	16	15	14	11	9						
Quebracho.....	12	16	18	14	10	10						
Oilseeds.....	9	6	4	7	4	5						
Meat.....	6	7	13	11	24	35						

From International Financial Statistics, February 1960.

Prices (from Monthly Bulletin of Statistics and International Financial Statistics):
1953=100, 1951=26, 1957=209, August 1959=243

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	1959
Total exports.....	6.9	28.0	31.0	¹ 37.0	34.0	35.0				
Exports to United States.....	.8	.3	10.0	¹ 6.0	6.0	6.0				
Total imports.....	7.5	24.0	¹ 24.0	24.0	33.0	29.0				
Imports from United States.....	.7	6.6	¹ 7.0	7.0	7.0	4.0				
Trade balance.....	-.6	+4.0	(2)	(2)	+1.0	+6.0				
Balance with United States.....	+1.1	-6.3	(2)	(2)	-1.0	+2.0				
U.S. exports.....			7.1	7.1	6.6	4.8	7.8	11	10	8
U.S. imports.....			7.7	6.1	5.0	4.2	5.8	7	8	8
U.S. balance with Paraguay.....			-.6	+1.0	+1.6	+.6	+2.0	+4	+2	0

¹ Estimates.² Not applicable because of estimated figures.

Upper set of figures from U.N. sources; lower set from Department of Commerce.

Peru

[In percent]

Area and commodity composition of trade	Exports						Imports					
	1954	1955	1956	1957	1958	2d quarter 1959	1954	1955	1956	1957	1958	2d quarter 1959
United States and Canada.....	36	36	37	35	40	31	55	52	53	51	52	52
Latin America.....	19	21	17	15	15	19	9	9	7	9	7	9
Sterling area.....	16	12	14	10	10	11	10	11	11	10	10	9
(United Kingdom).....	(14)	(10)	(11)	(10)	(9)	(10)	(9)	(9)	(9)	(8)	(8)	(7)
Rest of the world.....	10	8	9	14	10	12	3	4	3	4	3	3
Cotton.....	26	25	28	21	27	20	-----	-----	-----	-----	-----	-----
Sugar.....	13	14	11	16	12	18	-----	-----	-----	-----	-----	-----
Lead.....	10	10	10	9	9	8	-----	-----	-----	-----	-----	-----
Petroleum.....	7	8	8	8	6	6	-----	-----	-----	-----	-----	-----
Copper.....	8	11	11	8	8	8	-----	-----	-----	-----	-----	-----
Silver.....	6	6	6	6	7	7	-----	-----	-----	-----	-----	-----
Zinc.....	4	5	5	5	4	5	-----	-----	-----	-----	-----	-----

From International Financial Statistics, February 1960.

Prices (from *Monthly Bulletin of Statistics and International Financial Statistics*):
 1953=100, 1951=86, 1957=125, August 1959=161

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	1959
Total exports.....	77	162	239	222	248	271	311	330	292	-----
Exports to United States.....	21	40	67	85	88	98	115	115	111	-----
Total imports.....	58	168	288	292	250	300	361	400	335	-----
Imports from United States.....	20	91	161	160	130	150	179	191	158	-----
Trade balance.....	+19	-6	-49	-70	-2	-29	-50	-70	-43	-----
Balance with United States..	+1	-51	-94	-75	-42	-52	-64	-76	-47	-----
U.S. exports.....	-----	-----	127	119	98	120	163	198	167	122
U.S. imports.....	-----	-----	62	87	97	110	135	137	127	119
U.S. balance with Peru.....	-----	-----	+65	+32	+1	+10	+23	+61	+41	+3

Upper set of figures from U.N. sources; lower set from Department of Commerce.

Uruguay

[In percent]

Area and commodity composition of trade	Exports						Imports					
	1954	1955	1956	1957	1958	2d quarter 1959	1954	1955	1956	1957	1958	2d quarter 1959
United States and Canada.....	13	9	12	10	8	13	18	21	18	26	13	15
Latin America.....	16	18	13	9	10	3	26	27	27	23	36	27
Continental Europe.....	36	48	55	50	36	32	33	32	28	29	28	32
Sterling area.....	19	14	10	17	16	10	18	14	10	14	9	8
(United Kingdom).....	(19)	(14)	(10)	(16)	(15)	(10)	(15)	(11)	(7)	(10)	(6)	(5)
Rest of the world.....	16	11	9	13	31	41	6	7	17	7	13	18
Wool.....	50	58	59	50	58	59						
Meat.....	18	4	9	21	11	19						
Hides.....	7	8	6	8	6	9						
Wheat.....	12	21	14	7	12	3						
Linseed oil.....	3	3	1	5	3	2						

From International Financial Statistics, February 1960.

Prices (from Monthly Bulletin of Statistics and International Financial Statistics):
 1953=100, 1951=82, 1957=149, April 1959=221

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958	1959
Total exports.....	62	179	209	270	249	184	211	128	139	-----
Exports to United States.....	2	51	51	51	33	16	25	13	11	-----
Total imports.....	62	201	257	195	275	226	206	226	135	-----
Imports from United States.....	7	67	61	35	45	51	54	69	16	-----
Trade balance.....	0	-22	-48	-75	-26	-42	+5	-98	+4	-----
Balance with United States..	-5	-16	-10	+16	-12	-35	-29	-56	-5	-----
U.S. exports.....			43	25	43	38	34	49	22	33
U.S. imports.....			59	53	31	15	25	18	9	18
U.S. balance with Uruguay.....			-16	-28	+12	+23	+9	+31	+13	+15

Upper set of figures from U.N. sources; lower set from Department of Commerce.



Venezuela

[In percent]

Area and commodity composition of trade	Exports					Imports				
	1954	1955	1956	1957	1958	1954	1955	1956	1957	1958
United States and Canada.....	39	40	42	44	44	66	63	62	66	60
Latin America.....	7	8	9	10	11	1	1	1	1	1
Continental Europe.....	6	8	8	9	8	21	23	24	22	26
Oversea territories.....	39	26	31	24	23					
Sterling area.....	5	7	9	11	8	7	7	8	6	7
(United Kingdom).....	(2)	(4)	(6)	(8)	(6)	(7)	(7)	(8)	(6)	(7)
Rest of the world.....	4	2	2	2	5	5	5	4	4	5
Petroleum.....	94	94	94	92	91					

From International Financial Statistics, February 1960.

Prices (from *Monthly Bulletin of Statistics and International Financial Statistics*):
 1953=100, 1951=100, 1957=98, June 1959=107

[In millions of dollars]

Balance of trade	1938	1948	1952	1953	1954	1955	1956	1957	1958 ¹	1959
Total exports.....	181	1,040	1,450	1,445	1,690	1,874	2,118	2,367	2320	-----
Exports to United States.....	24	278	496	538	623	712	835	992	976	-----
Total imports.....	96	727	759	739	904	975	1,026	1,668	1428	-----
Imports from United States.....	54	544	524	489	564	581	607	1,063	819	-----
Trade balance.....	+85	+313	+691	+706	+786	+899	+1,092	+699	+892	-----
Balance with United States.....	-30	-266	-28	+49	+59	+131	+228	-71	+157	-----
U.S. exports.....			501	513	534	556	674	1,050	808	737
U.S. imports.....			397	441	504	576	705	900	892	890
U.S. balance with Venezuela.....			+104	+72	+30	-20	-31	+150	-84	-153

Upper set of figures from U.N. sources; lower set from Department of Commerce.

My tour, took me to only 10 of the 20 Republics. I am including the other 10 countries for two reasons. First, because of delays necessarily involved in the collection of commercial statistics—especially in Latin America—it was not possible during this tour to make any comprehensive analysis of 1959 trade patterns. With one or two exceptions, trade figures for the countries we did not visit are no less complete than for those countries on our itinerary. Secondly, for purposes of comparability it is necessary to see the United States-Latin American trade situation as a whole.

The major advantage conferred by the tour was that we were able to check, on the ground, with U.S. businessmen, with U.S. commercial attachés, and with local business and government leaders, impressions gained through preliminary research. In actuality, a complete picture of United States-Latin American trade as of the end of 1959 cannot be drawn until trade figures are available from each of our Latin American partners.

KEY IS MARKET SHARE

The key question, of course, is how the United States is holding up in the Latin American market in comparison with our major competitors from Western Europe and Japan. This question can be answered satisfactorily only when we know for certain whether the

obvious decline in U.S. exports to Latin America exceeds in percentage terms the equally obvious decline in Latin America's purchases and the losses of major competitors.

In 1957, as the tables show, the United States exported \$4,673 million in merchandise to the 20 Republics of Latin America. In 1958, we sold \$4,186 million—a decline of about 10½ percent. In 1959, according to unpublished Commerce Department figures, U.S. exports to the 20 Republics of Latin America slid to \$3,495 million, the lowest dollar figure since 1955. This represented an additional decline of almost 17 percent from 1958 and an overall decline from 1957 of 25 percent. Latin American purchases have also declined precipitously during this period. From \$8,905 million in 1957, imports dropped to \$8,104 million in 1958—a decline of 9 percent. Fragmentary figures plus on-the-spot observations suggest that the curve continued to fall during 1959. On the face of these gross statistics, it would seem that the United States took more than its fair share of the loss.

However, it must be borne in mind that 1957 was a peak year for U.S. sales to Latin America. In that year 53 percent of all Latin American imports came from the United States. In 1956, the U.S. share had been 50.3 percent, in 1955, 46.8 percent.

In comparison, a recently published Commerce Department analysis of U.S. shares in major markets concluded that the United States was holding its own in Latin America—at least through 1958. This study, based on data for 45 commodities sold to Latin America by the United States, Western Europe, and Japan, found that our overall share in 1958 was pretty much what it had been in 1954 through 1956.

COMMODITY LOSSES AND GAINS

Share losses were reported for such commodities as organic chemicals, office machinery, automobiles, tractors, noncotton fabrics, iron and steel, and copper manufactures. But these were balanced by share gains in metalworking machinery, electrical machinery and appliances, railway vehicles, textile yarns, and metal manufactures.

Partial figures suggest that the U.S. share position did deteriorate, however, during 1959. If the monthly average of exports to Latin America during 1958 is taken as a base of 100, U.S. shipments stood at 86 percent in the first quarter of 1959, shipments by members of the Organization for European Economic Cooperation at 89 percent. During the second quarter, U.S. exports rose to 91.2 percent of the 1958 average. OEEC exports, meanwhile, rose to 97.1 percent. In the third quarter, the U.S. average declined once more to 87.7 percent, while OEEC exports rose to 100.3 percent. Comparable fourth quarter figures for the United States and the OEEC are not now available. But the average of U.S. shipments during the fourth quarter was down at least another percentage point from the third quarter average.

In addition, the Commerce Department's published trade figures show that most of the items in which the United States was strongest, relatively speaking, in 1958, faltered badly during the first 9 months of 1959. Electrical apparatus, metal manufactures, and railroad transportation equipment sales were down 19 percent, 22 percent, and 50 percent, respectively. Items that had been weak in 1958 continued to register big losses. Office machinery was off 29 percent

from the first 9 months of 1958, tractors 21 percent, and iron and steel mill products 50 percent. What the evidence seems to indicate is that the United States has indeed suffered some loss of position in Latin America but that the loss, up to this point, is not as universal as many had feared. The main trouble appears to be concentrated, as mentioned above, in organic chemicals, automobiles, tractors, non-cotton fabrics, iron and steel, and copper manufactures.

How do we explain, then, the general feeling of the businessman that he is losing the Latin American market to Western European and Japanese competitors?

One basic reason would seem to be the tremendous changes which have taken place in the Latin American market since 1956-57.

FACTORS IN DECLINE OF U.S. SALES

As has often been noted, Latin American countries are for the most part dependent on one or two primary commodities for the bulk of their foreign exchange earnings. Venezuela's leading export, petroleum, accounted in 1958 for 91 percent of all export receipts. In Mexico, the least dependent of the 20 republics on a single export, cotton still furnished in 1958 26 percent of all exports. Fourteen of the 20 republics are dependent on a single commodity for half or more of all export earnings. Ten republics derive three-quarters of their earnings from two top exports. The big countries of Latin America are only slightly less vulnerable in this respect than the small. Brazil in 1958 got 55 percent of its export earnings from coffee, 62 percent from coffee and cocoa.

In recent years, the prices of many of these primary commodities have been declining. I commend attention in this connection to the meticulous study "Commodity Problems in Latin America" prepared for the Senate Foreign Relations Committee by International Economic Consultants, Inc., and published as a committee print on December 12, 1959.

As shown by the 20 Republic trade tables above, Latin American exports in 1956 amounted to \$8,395 million, Latin American imports to \$7,559 million. In 1957, the alltime peak year for world trade, Latin American imports increased to \$8,905 million, a jump of 18 percent. Latin American exports rose very slightly to \$8,480 million, an increase of about 1 percent.

OVEREXPANSION OF PURCHASING IN 1957

In that single year, the 20 Republic trade balance shifted \$1¼ billion against Latin America. The result in a number of countries was a foreign exchange crisis.

Efforts were made by several Governments in 1958 to restrict imports, and, as I earlier pointed out, Latin American imports fell steeply. But Latin American exports also declined.

Though the drop in sales was not as sharp as the drop in purchases, 1958 nonetheless continued to see a weakening of the foreign exchange position in many Latin American countries. With reserves all but gone, drastic action was required. Little was to be hoped for from the stimulation of exports, and judging from fragmentary statistics, little has been achieved. But the Latin American Republics could

trim imports to the bone, and most of them have done so. The past 2 years, therefore, have been very poor years from the standpoint of the businessman exporting to Latin America.

To some extent, businessmen—like the rest of us when things are going badly—tend to believe that they have been singled out by fate for special unfavorable attention. This may explain why, even in some commodity categories where the objective evidence tells us the United States is holding its own, we have been hearing complaints that overseas firms are taking over the market.

It may explain, too, why we are now hearing more and more about the United States pricing itself out of the market despite the fact that U.S.-manufactured goods have, in some cases, been higher priced than the goods of competitor countries for a good many years.

I am not suggesting there is no truth to the pricing out of the market complaint. Nor am I suggesting there has been no resurgence of competition in Latin America. What I do suggest is that we need to study the objective evidence on these questions before leaping to rash conclusions and launching rash programs of action. We need to identify the commodities in which the United States has been losing ground and to determine, insofar as possible, the reasons for our loss of position. Then we can take effective action to correct the situation.

It is clear, I think, from the evidence that the major reason for the decline in Latin American purchases in general and of imports from the United States as well, is the relatively weakened foreign exchange position of most Latin American countries as a result (1) of declining prices for Latin American exports and (2) of the sharp rise in Latin American purchases in 1957.

This fact is made even clearer when it is recalled that the Latin American export picture was distorted in 1957 by the Suez crisis.

If we exclude from the 20 Republic export-import figures, the totals for Venezuela, which is the world's second largest oil producer (after the United States) and the world's leading oil exporter, we find that instead of being a peak year for Latin American exports, 1957 was some \$164 million behind 1956 and \$61 million behind 1953. The 19 Republics—that is, 20 Republics minus Venezuela—ran a negative trade balance in each year from 1954 through 1958. But from a quarter of a billion dollars in 1956, this negative balance in 1957 more than quadrupled to \$1,124 million. And in 1958 it stood at \$1,025 million.

Venezuelan oil distorts the picture in yet another way. Oil prices through the decade of the fifties were very good. In any attempt to arrive at an overall index of Latin American export prices, the good situation in oil has generally tended to mask the bad situation in other commodities. A separate price index calculated by the United Nations for exports of Argentina, Brazil, Chile, Paraguay, Peru, and Uruguay shows that with 1953 equaling 100, export prices in 1957 stood at 82.

As a general proposition, therefore, it can be said that the decline in Latin American purchases during 1958 and 1959 was dictated in large measure by the necessity to conserve dwindling exchange reserves. Some improvement may be expected when the exchange situation eases. But the hopes for drastic improvement are nil without a substantial increase in Latin America's capacity to earn foreign exchange.

STATEMENT BY INTERNATIONAL GENERAL ELECTRIC

The following statement from International General Electric in reply to a questionnaire circulated this past autumn by the Latin-American Trade Subcommittee is relevant in this connection. This is an excerpt—but without omission:

There appear to be evidences that: (1) U.S. participations in Latin America's markets have been substantial in relation to totals and have not indicated any broad "swings" nor trends toward loss of position; (2) U.S. exports to Latin America tend to balance off, over a period of years with its imports from Latin America, which is believed to be a historical trend that could be traced back further in years; (3) U.S. exports, however, have fallen substantially in the first half of 1959 compared with 1958—about 15 percent, which could involve a combination of such factors as the following: decision in some areas to curtail expenditures abroad in line with need for austerity in local economies; desires—in some cases inspired by necessity—to pay off debts resulting from prior years' imports; needs—in some cases—to build up exchange reserves that may have become dangerously low; slackening of shipments of equipment from United States in 1959 under direct investment programs of U.S. concerns in Latin America.

On the basis of the thesis that Latin America's imports from the United States tend to depend upon the level of Latin America's exports to the United States, it would appear that increased U.S. exports might bear a relationship to any rise in U.S. purchases from Latin America.

Similar opinions were voiced by many of the other companies which responded to the subcommittee questionnaire.

The so-called one commodity country problem of Latin America and the broad swings in prices of these primary commodities which have occurred during the last decade are properly a matter of concern for the United States. This is so not only because of foreign policy considerations but for basic commercial reasons.

Unless Latin America is healthy economically, unless its export earnings are reliable, it cannot be a good customer for the United States. In 1958, Latin America purchased 23.4 percent of all U.S. exports. In the first 9 months of 1959, Latin American purchases declined to 20.8 percent of the U.S. total. Obviously we have an important stake in the soundness and in the continuing growth of Latin economies.

Unfortunately, Latin America's exports since 1950 have been increasing at much below the world average. While world trade through 1958 grew at an annual rate of more than 7 percent a year, Latin America's exports rose less than 3 percent annually. This is the broad canvas on which the rest of our trade picture must be elaborated.

There is a second background fact which must also be kept in mind. To some extent—this is as definite as I can be—the increased competition from West Germany and Japan represents, not a new condition, but an old condition, a return to prewar market patterns. Part of

what looks like U.S. goods pricing themselves out of the market may in fact be traditional underpricing by companies which have reestablished an old edge. This, I realize, is small comfort for U.S. businessmen who are losing sales to vigorous foreign competition. But we must restrict our attention, I believe, to the cases where U.S. sales are being lost because of factors which are susceptible to control.

I do not think the United States is ready to undertake a broad program of export subsidies, as was recommended to me by several businessmen in Rio. Nor do I envision a drastic overhaul of our domestic economic and social policies so as to lower the cost of labor. To be sure, U.S. business and U.S. labor could profitably join hands to consider problems affecting our foreign trade position. Instead of treating one another as natural enemies, they ought to recognize and consult their mutual interests. Much good could flow in many directions from such an economic romance. But while I am perfectly willing to play Cupid, I want no part of a shotgun wedding. There is no place in the bridal party for the U.S. Government.

Still a third factor which must be taken into account in arriving at a reliable estimate of the current trade situation is the effort being made by most of the countries in Latin America to diversify their economic structure, chiefly through manufacture. This drive has given rise in some countries to penalty rates against foreign imports as well as to the normal assortment of investment incentives. Although it is difficult if not impossible to know what proportion of U.S. sales has been driven out by local manufactures, everyone who knows anything at all about the subject agrees that it is a substantial dollar amount. For the most part, despite the immediate losses involved, this policy is not contrary to the best interests of the United States or of U.S. business. As Automatic Electric International pointed out in its reply to the subcommittee questionnaire mentioned earlier:

Experience has shown that when areas and countries industrialize, they become bigger markets for exports, not smaller markets. They will remain U.S. markets rather than European markets if we supply the technique. In this way, they can continue to supply work for U.S. labor.

However, there is an aspect of this problem which does need active attention. In some countries, I was told during my visit, permanently uneconomic activities are being set up under the guise of legitimate industrialization. Not only does this penalize U.S. business, but ultimately it harms the country involved.

Specifically, though this is strictly speaking not in the industrial area, U.S. airlines in Latin America have found themselves increasingly in competition with favored local airlines. Many of these lines have been set up without regard to economic logic as a matter of national pride. Most of them are nonmembers of the International Air Transport Association. With lower standards of equipment and service, they are undercutting the rates of established U.S. airlines by 25 percent in most places and up to 40 percent in some. The local lines have the additional advantage of government support—that is, of policies which favor them at the expense of their competitors. For example, in Argentina, the air force, which controls the national

airline, has used its influence to keep U.S. lines from obtaining free access to the market. The result is lost business for the United States, certainly. But it also affords a lower standard of service to Argentine consumers.

In a similar vein, the U.S. Government and U.S. businessmen in Latin America recognize the valiant efforts that many governments are making to conserve dwindling foreign exchange and to put their economic houses in order. We—and I think this goes for U.S. business as well as for the U.S. Government—support these efforts completely. In fact, in several cases we urged the adoption of the austerity programs now in effect. For the most part, I was told during my visit, the controls applied to imports as a result of the austerity programs are being administered without discrimination as to the country of origin. But there are some important exceptions.

For example, in Chile I was told that a standard German automobile, the Volkswagen, sells for about \$5,000, a U.S.-made Chevrolet for about \$11,000. The Volkswagen is, of course, cheaper than the Chevrolet and should be expected to enjoy some price advantage. But the main reason for the price gap in Chile is the exorbitant tariff levied on higher priced automobiles. The discrimination against U.S. manufactures is implicit in the tariff structure, even though there is no specific animus against the United States or U.S. products.

Similarly, in Panama, the new tariff schedule in effect since January 1, 1958, places a 20-percent levy on autos costing up to \$1,500 f.o.b., 22½ percent on cars from \$1,501 to \$2,200, 25 percent on \$2,201 to \$2,500, 30 percent on \$2,501 to \$3,000, 35 percent on \$3,001 to \$3,500, and 40 percent on autos worth \$3,501 and more. One automobile man in Panama told me—I do not vouch for the figures—that U.S. automobiles used to command 70 percent of the market but that since the enactment of the new tariff schedule the U.S. share had fallen to 20 percent. Evidence to support or contradict this assertion is not now available. However, all sources agree that the United States has lost a substantial portion of the market it earlier enjoyed.

One very interesting and perhaps revealing element in the Panamanian situation is that U.S. firms continue to hold most of their previous business. They have simply begun importing their own European-made cars in vast quantities. A General Motors distributor told me the business he had lost on Chevrolet had been replaced by sales of the the GM-owned Vauxhall. Ford had had similar experience with its Consul.

COMPETITIVE PROBLEMS IN TRADE

Leaving now the area of government controls and their effects on U.S. exports, I want to turn to several other deficiencies which showed up in discussions on my tour and also in replies to the subcommittee questionnaire.

CREDIT

Without doubt, the competitive problem which was most often mentioned is credit availability. Several European governments, as well as the Canadians and the Japanese, have credit insurance or reinsurance programs which enable their firms to offer terms which U.S.

exporters cannot match. The trouble seems to be concentrated in 90- to 180-day payments on sight drafts and in the area of 3- to 5-year credits.

The activities of our Export-Import Bank were uniformly and warmly praised during my visit. During its 25 years of existence, the Eximbank has made more loans in Latin America than in any other area in the world—approximately 40 percent of its total loans, I believe. Nonetheless, for reasons which are not altogether clear to me at this point, the Bank's charter or its methods of operation do not permit the U.S. Government to compete satisfactorily with government-backed credit programs in the time periods I cited.

We were told in one west-coast country that a leading U.S. manufacturer of electrical generators was invited to bid competitively on a large project against a leading European firm. The U.S. bid was approximately 25 percent higher than the European bid. Despite the price differential, the local government was inclined to grant the contract to the U.S. firm and would have, except that the U.S. firm was unable to meet the extremely favorable credit terms which the Europeans were able to offer with effective government support.

The problems attending a program of credit insurance or reinsurance are extremely complex, and I would not pretend to pose as an expert. However, there is no escaping the almost universal feeling of U.S. businessmen in Latin America that the competitive deficiency has reached the acute stage and requires immediate attention. I am told that other members of the foreign trade study group of the Interstate and Foreign Commerce Committee have run into a flood of similar complaints during recent tours of the Far East, Middle East, and Africa.¹

Latin America, it must be emphasized, makes nearly all of its foreign purchases on credit. So desperate is the shortage of capital and so powerful is the appetite for progress that Latin Americans seek, almost invariably, to delay payment as long as possible. No one who has given the least attention to Latin America's economic potential can possibly doubt the future. But without exception the countries of Latin America are capital poor—indeed, capital starved. With our own great reliance on Latin American markets and resources, we have an immense stake in seeing to it that development loans and investment capital are made available in as large amounts as our own resources and other commitments allow.

Apart from the moral obligation, which we all recognize, to help our neighbors to help themselves escape the clutches of poverty, apart from the question of hemisphere solidarity and the threat of communism, there are also sound business reasons for a carefully wrought development and investment program.

As professional economists long ago established, exports tend to follow close behind investments. If Latin America's development is accomplished with U.S. financial and technical help, we can legitimately expect to improve our position in the Latin American import market. If, on the other hand, leadership passes to other countries—including the Soviet Union—the U.S. share of the market must be expected to shrink.

¹ It remains to be seen whether recently announced changes in Eximbank credit and guarantee programs will remedy these defects.

I raise this point in connection with two matters often discussed with me during my tour. First, U.S. investors complain, and I think rightly, that our own Federal tax laws operate to deprive them of the advantage from tax concessions granted by other governments in an effort to attract capital. This hardly makes sense if, as we contend in all of our official pronouncements, our desire is to see the countries of the world develop along free enterprise lines with the participation of American free enterprise.

PROCESSING OF APPLICATIONS

A somewhat different but related problem concerns the processing of loan applications from Latin America. Many times during this tour I heard the complaint from local leaders that it is much easier to obtain a \$5 million loan from Washington than a \$50,000 loan. To be sure, this problem should be alleviated to some extent when the new Inter-American Development Bank begins effective operation. But this will not solve the entire problem, I fear. The difficulty is that the administrative costs of preparing applications and required technical supporting data are much too burdensome for a small enterprise. Moreover, there is generally no one in the local government nor, often, in the U.S. Embassy itself to whom a small local businessman can turn for expert guidance.

I have no criticism to make of the commercial officers in our Latin American embassies. They generally impressed me as able and conscientious men, and many of them furnished me with thoughtful and immensely useful summaries of local problems. But the commercial attaché system, as presently constituted, is not equipped to deal with several of the most pressing problems now confronting us in the commercial sphere.

For example, as one commercial attaché himself said in describing this loan application problem, if a commercial attaché has had any real experience or training in dealing with agency applications, it is by accident rather than design. Moreover, most of our commercial people are unable, because of the demands of their job, to do much fieldwork. The result is that our commercial reporting service is not as solid as it might be. A large majority of the companies responding to the subcommittee's questionnaire said they had received little or no help from Government commercial services. Several compared U.S. trade promotion efforts unfavorably with those of European governments.

Again let me stress that I'm not suggesting the Europeans are endowed with better people in their commercial service. They are not. However, they seem to be more attentive to the Government's responsibilities in the area of trade promotion, and I think we would do well to emulate them in this regard.

Obviously, in the final analysis, U.S. business success in Latin America, as elsewhere, hinges on the imagination and the perseverance of the U.S. businessman himself. The Government can act properly only as a catalyst. It can see to it that adequate credit guarantees are available. It can facilitate investment. It can furnish accurate trade information. But the rest is up to private firms and their representatives.

I am convinced that U.S. business is doing a capable job in Latin America by and large. But there are some obvious soft spots. For

a number of years after the end of the war, U.S. business had the Latin American market virtually to itself. Now the Western Europeans and the Japanese are back, and they are hungry for business. Such aggressive competition can be met only with keener business techniques and persuasive salesmanship.

One of the leading automobile manufacturers, in its answer to the subcommittee questionnaire, confessed frankly that the chief reason for its declining sales in Latin America was that European makes were better suited to the market. This is a shocking admission. Surely U.S. technical genius is capable of designing products which will suit the needs of the Latin American consumer.

DOW CHEMICAL'S ADVICE

As Dow Chemical Co. told the subcommittee, in an answer that might serve as a model for all industries:

U.S. chemical companies must compete with European and Japanese firms on quality, price, packaging, terms, and technical assistance if they want to hold a leading place in supplying Latin America's needs. If it is impossible to reduce costs in a U.S. plant in order to compete, then it is necessary to build plants in Latin America, have a local company manufacture for you, or grant a license to a local company. Otherwise, you would lose the Latin American market.

U.S. business needs to be represented by more people who can speak the languages of Latin America and who understand the customs of the area. There also ought to be greater emphasis placed on technical assistance, that is, on training of local personnel in U.S. methods.

It is admittedly not my job to tell American firms how to run their business. The profit-and-loss statement, under the free enterprise system, ought to prove a sufficient check. Nonetheless, I did find during my trip that U.S. salesmanship was flagging in some respects, and I felt obliged to offer these brief comments on the subject.

III. COUNTRY-BY-COUNTRY POLITICAL AND ECONOMIC SITUATION

My trip took me to Panama, then down the west coast of South America into Colombia, Ecuador, Peru, and Chile, across the Andes into Argentina, and then up the east coast into Brazil and Venezuela and, after a stopover in Puerto Rico, to the Dominican Republic and Haiti in the Caribbean and then home.

Originally, the itinerary was to have included Cuba as well; however, publication of an editorial entitled "The Unwanted Guest" in *Revolucion*, semiofficial newspaper of the Castro government, led to the conclusion that a visit to Cuba would be unwise at the present time.

PANAMA

Because of the recent flag demonstrations, the situation in Panama has been termed "acute." In fact, it is not acute but chronic. The difference between the two words, I submit, is central to an understanding of problems in this tiny but strategically located Republic.

As Senator Aiken of Vermont correctly observed in his recent report to the Senate Foreign Relations Committee, Panama is a country of "about 1 million people who are very poor and about 50 families who are very rich."

Panama is by no means the poorest country in Latin America, nor is it more tightly in the grip of a tiny oligarchy than some. But Panama's problems are, in an important sense, accentuated psychologically by the presence of a wealthy enclave of privileged foreigners who furnish a constant reminder of what might be, and who provide a ready outlet for emotional grievances. Panamanian demagogues have long since realized the utility of this outlet for diverting attention from genuine economic and political problems, and they continue to use it with great success.

The current dispute over the flying of the flag in the Panama Canal Zone is merely a symptom of a deep-rooted problem. And in my humble opinion it helps matters not at all for us to be passing resolutions of defiance. Arched backs there and here will only add to the tensions and increase the danger of explosion. I remember the determination of the British not to yield an inch at Suez, and I remember the outcome.

In this connection, it is significant that a number of Panamanians have made the pilgrimage to Egypt to study Nasser's methods, that the U.A.R. Embassy, according to informed sources, is one of the most active in the country, and that some Panamanian extremists have already drawn up a plan to go up into the hills and dam off the Chagres River which is the principal source of water for the canal's operation.

No one doubts our capacity to hold the canal if need be. But I think it is uncommonly foolish of us to meet unreason with equal and opposite unreason. Men who feel deeply do not back down in the face of latent threats. Better for us to seek to disarm the psychological issue and to direct ourselves then to solving the problems which lie behind the smokescreen of emotion.

What are Panama's real problems?

Essentially, they are two in number. Great disparities in wealth—of which the Canal Zone and its inhabitants are unfortunately the most convenient and visible symbol—and, secondly, economic overdependence on the Canal Zone. Indeed, it is perhaps not too much of an exaggeration to say that Panama's economy is the Canal Zone. The country's gross national product amounts to about \$375 million annually. Of this total, more than a sixth—\$64 million—comes from wages paid by the zone and from services furnished to the zone administration.

Apart from the zone, Panama's economy is basically quite weak. Its resources have been neglected. Panama exports bananas, cacao, shrimp, and manila hemp. Largely because of technical aid from the U.S. point 4 program, Panama has recently become almost self-sufficient in the production of rice, sugar, coffee, and beef. But even today it must import large quantities of food. In 1958, the last year for which complete statistics are available, Panama imported nearly \$13½ million worth of food and nearly a million dollars in beverages—altogether about 15 percent of total imports. In addition, Panama must import its machinery, its transport, its pharmaceuticals—in short, virtually all its nonfood needs.

Because of its dependence on the zone, Panama is especially vulnerable to fluctuations in world trade. The country's history has been one of alternating boom and bust. It is now going through a depression phase with unemployment, according to U.S. sources, running about 20 percent of the labor force. The corps of the unemployed furnish a ready reserve for the agitators and demagogues now active in anticipation of the coming presidential election, which is to be held in May. Best information is that there are few Communists in Panama, but the situation there is clearly much to their liking and we can expect them to take an increasing role in promoting future unrest.

With its limited economic resources under ever-increasing pressure from a fast-growing population, Panama is searching rather desperately for a solution. Obviously, the \$83 million annual revenue of the Panama Canal Company is extremely tempting. Moreover, the life of comparative luxury lived by the 3,500 Americans who inhabit the zone—not luxury by U.S. standards but luxury insofar as the average Panamanian is concerned—constitutes a source of considerable local irritation, especially when many of these foreigners persist in treating the local population as socially inferior.

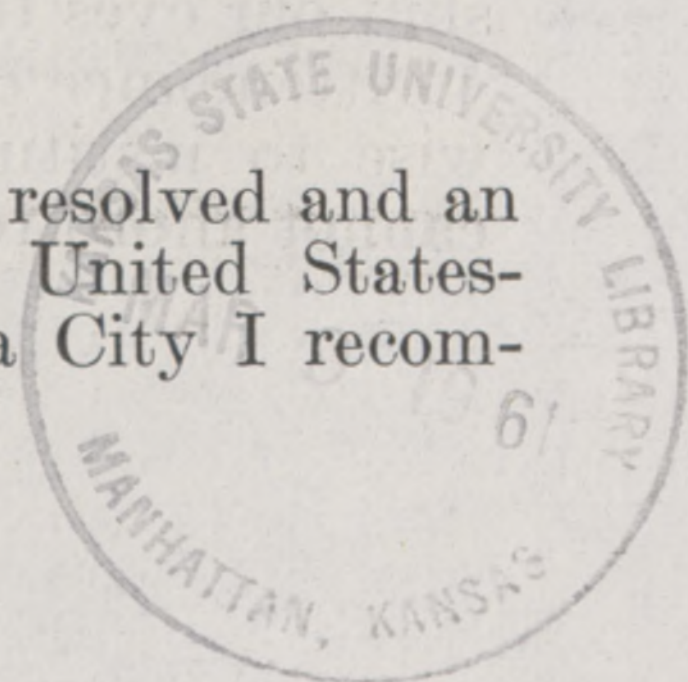
By local standards, wages paid to Panamanian employees of the Canal Zone Company are very good indeed. The minimum zone wage—paid to a grasscutter—is 55 cents an hour. But the average wage paid Americans in the zone is four times the average paid to Panamanian employees. Even for comparable jobs there is a 30 percent differential deriving from the bonus paid to Americans for tropical employment and a slight income tax concession to take care of the variation in Panamanian and United States tax rates. These differences are many times magnified in the minds of the people, and even some high officials in the Panamanian Government harbor the most fantastic notions concerning the income disparities between United States and Panamanian workers.

Efforts to keep pace with zone pay standards have disrupted the Panamanian economy. A recently passed wage law set a minimum of 40 cents an hour for employment in Panama City and 35 cents an hour in Colón, which is at the other end of the zone. Most workers had been earning about 25 cents an hour. Wholesale firings have followed the enactment of this law, and many local businessmen claim they cannot pay the minimum and remain solvent.

Added to this potpourri of tensions and frustrations is the fact of divided U.S. authority in Panama. The State Department, of course, has primary responsibility for dealing with the tense diplomatic situation. But it does not have sufficient authority to go with its awesome responsibilities. In addition to our Ambassador, Julian Harrington, there are separate centers of authority in the Canal Zone Company, headed by its Governor-President Maj. Gen. William E. Potter, and in the Defense Department's Caribbean Command, headed by Lt. Gen. Ridgely Gaither. Moreover, the residents of the Canal Zone are themselves organized and articulate—and there is no mistaking their attitude or their influence in the current controversy.

RECOMMENDATIONS

Personally, I think the impasse in Panama can be resolved and an approach made to the deeper problems affecting United States-Panamanian relations. During my stay in Panama City I recom-



mended a compromise solution of the flag issue. I am encouraged by recent press reports that my recommendation is thought by those in authority to contain the seed of effective and honorable compromise.

(1) What I suggested was this—that an acre of land be set aside within the Canal Zone itself, that this acre be named the “Plaza of the Two Flags,” and that within it the flags of the United States and of the Republic of Panama should fly permanently as a symbol of the historic friendship and cooperation of our two peoples. These flags could be crossed before a double monument—a bust of a leading Panamanian hero, Balboa for example, and one of George Washington, say, or William Gorgas or General Goethals, both of whom contributed on behalf of the United States to Panama’s development. On the occasion of national celebrations, Panamanian groups would be invited to hold their ceremonies within the zone on the “Plaza of the Two Flags” with U.S. cooperation and participation.

This approach would, I think, satisfy the natural patriotic desire of Panamanian citizens to assert symbolically their sovereignty over the zone although by treaty the zone is ours to control and administer in perpetuity as if we were sovereign. As Americans we all have an emotional and sentimental attachment to the Stars and Stripes, and I believe the Panamanians have a right to their emotion and their sentimentality. The issue is symbolic and psychological, and I think we can disarm it symbolically and psychologically if we come to it in the proper spirit.

But this is only the first step. The deeper issues remain. To this larger problem, I think we must also address ourselves at this time—else we will find ourselves, in another few years, facing passions which cannot be turned aside symbolically.

(2) Therefore, I recommend that we turn our attention also to sharpening the focus of U.S. authority in the Canal Zone. We ought to surrender the obsolete notion that the canal is primarily or even secondarily important for its military value. It’s time that we quit refighting the last war. We have a complete two-ocean Navy and, in fact, many of our largest fighting ships cannot even use the canal. Moreover, if the next war comes, in spite of our efforts to prevent it, the battles will not be fought in the cumbersome Miraflores locks or on the reaches of Gatun Lake. We ought to revamp our thinking and our chain of command to put the emphasis where it belongs—on commercial and diplomatic considerations. Final authority should be vested in the Department of State, and the Department of Defense should be demoted to the status of an interested party.

(3) Next, the Canal Zone policies now at issue with the Panamanian Government should be fully and fairly reexamined. In particular, we should reverse our present policy of excluding Panamanians not employed by the zone from attendance at zone schools. I think there is no better way to build a community of understanding than by student interchange. We have devoted millions of dollars to promoting student interchange between the United States and distant foreign lands. Yet here we have a readymade opportunity and we shut our eyes to it. This seems to me incredibly stupid.

Attendance can be financed by tuition payments, and we would be wise to institute a scholarship program for worthy students who cannot afford to pay the tuition whatever it might be.

One of the reasons why so many demonstrations are taking place in Panama, and why so many of the schoolchildren are against us is that the youngsters are no longer permitted to attend American schools as they were until 5 years ago.

At the same time, we should also reexamine our present policy of keeping children of U.S. Zone employees and children of Panamanian Zone employees in separate schools. The logic of this arrangement, I'm told, is that the Panamanian and U.S. children are being prepared for citizenship in different cultures and in different countries. This seems to me altogether shortsighted.

The zone's purchasing and pay policies also need attention. In both cases, there may be a substantial element of justice in present practices. But one need be in Panama only a few minutes to discover the vast misunderstandings which have been generated by our failure to explain our position thoroughly. As noted earlier, some of the highest officials in the Panamanian Government believe our policies are totally inequitable. If our policies are unfair, they ought to be changed. If they are reasonable, they ought to be explained in detail so there can be no misunderstanding. The Canal Zone Company needs to pay more attention to public relations—now.

(4) Next, we ought to agree to a hearing on increased fees for canal transit. The subject should be examined from all angles with a view toward assuring the self-sufficiency of the Canal Zone Company and an equitable payment to the Panamanian Government.

(5) Finally, I believe we should devote increased attention to the basic economic problems which are the ultimate source of present friction and possible future discord. Until the problems inherent in a society where few are rich and many are poor can be solved, we will continue to be plagued with political instability and the Canal Zone will continue to be a focus of discontent and an inviting target for the agitators and the irresponsibles.

COLOMBIA

In Colombia, as in Panama, we have a country where a few families dominate the economic life and where the vast majority are subjected to grinding poverty. Since the overthrow of the tyrant, Rojas Pinilla, Colombia has made important political and economic strides. Its president, Dr. Alberto Lleras Camargo, is a man of great ability and deep convictions. He has given Colombia effective democratic leadership pointed toward solution of the pressing economic problems which confront his country. But let no one be mistaken: the problems are enormous and the future of democracy is far from assured.

When General Rojas was driven out of office in 1957, Colombia's treasury was almost empty, partly because of systematic looting, partly because of declining coffee prices. Colombia derives about 80 percent of its export earnings from coffee, about 14 percent from petroleum. Between 1954 and 1958, Colombia's exports dropped from \$657 million to \$454 million or about 31 percent. Even at the earlier date, however, Colombia was running a negative trade balance. To bring the country's payments into line with its greatly reduced income, President Lleras has been forced to institute a rigid austerity program. Imports have been slashed to the bone and are limited to items necessary for the country's economic development.

This austerity program has been deliberately arranged, I'm told, to bear most heavily on the upper and middle income groups as part of the President's drive to reduce income disparities. The cost of this program in political support for Lleras and his National Front Liberal-Conservative government is difficult to determine. But austerity has given rise to extensive and troublesome smuggling operations which the Government finds it impossible to control.

Added to his troubles from this source, Lleras has had to launch a military campaign to suppress the bands of roving bandit-killers who have been terrorizing the countryside ever since the bloody Bogota riots of 1948. This banditry originally had a certain amount of political content, but most observers are agreed it has simply become a way of life for the outlaws involved. Some 200,000 people or more have been killed by the bandits during the past 12 years and deaths still amount to several thousands annually according to official estimates. This bandit menace scarcely contributes to the tranquillity and to the political stability which are desperately required if democracy is to succeed in its task of reform.

The Communists are attempting to exploit this unrest, but without notable success. However, the Lleras government has restored their right to operate legally and, should the reform movement fail, they can be counted upon to push the cause of revolution.

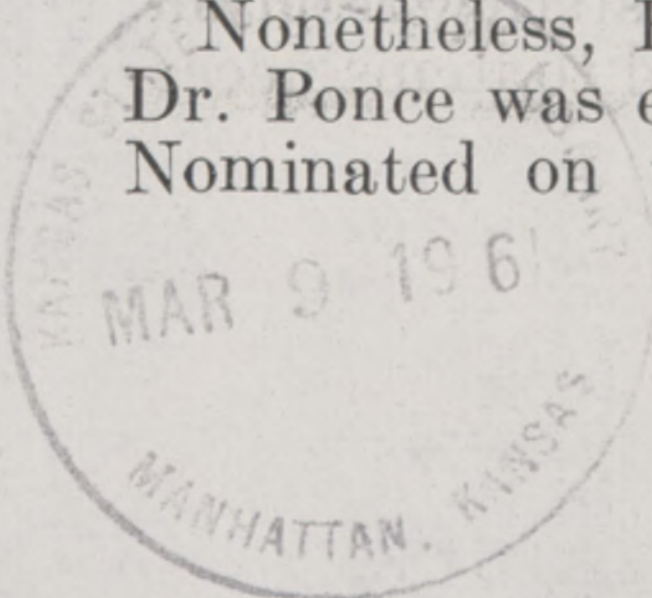
Colombia now has, for the first time in its history, the real beginnings of a middle class, but it is still out of the question for a professional person—a doctor, a lawyer, or an engineer—to obtain social standing without the background of inherited wealth. Moreover, the members of the oligarchy continue to look abroad for their culture and their fashions, and many have no intention of surrendering their privileges if they can help it.

Independent observers believe President Lleras is in firm control of the Government, and there are, despite some mutterings among the wealthy, no visible threats to his regime. However, the future is very uncertain. Under the National Front system written into the Constitution after Rojas' ouster, the Liberals and the Conservatives are to alternate in the Presidential office until 1974. The Conservatives are supposed to have their turn next. However, the Liberals are the majority party, and some persons doubt they will allow the change to take place. Whether the much-needed reform program can be carried forward under any but the most stable of political circumstances remains to be seen. On the answer may hang the future of democracy in Colombia.

ECUADOR

Ecuador, too, needs time to achieve essential reforms, and the time is growing short. Dr. Camilo Ponce Enriquez, the current President, is about to complete his 4-year term. He will be the third successive chief executive to serve his full 4 years without extraconstitutional interference. Certainly this is an encouraging sign. I am told that the military, which used to tip over governments for breakfast, has come to realize that the way of democracy, if slower, is also considerably more sure.

Nonetheless, Ecuador's democratic instincts are far from secure. Dr. Ponce was elected in 1956 with a mere 29 percent of the vote. Nominated on the Popular Alliance ticket of the Conservatives,



Catholics, and Social Christians, he was the first Conservative to be elected in over 60 years. In office, however, Dr. Ponce has espoused the cause of Ecuador's hard-pressed Indian population, and he has advocated the breaking up of large, unproductive landed estates. These policies are against the traditions of the Conservative Party but they express President Ponce's conviction that the only alternative to reform is revolution. He was most emphatic on this point in our conversation.

Ecuador has an extremely low standard of living—about \$155 per capita—an exceptionally high rate of illiteracy—about 43 percent—and an incredible infant mortality rate due to the prevalence of disease and the absence of sanitary facilities. But even these are not Ecuador's most serious problems. The big question for today and tomorrow is whether Ecuador's dominant Indian population can be successfully absorbed into national life. Ecuador's white population is only 10 percent of the total. About 40 percent are Indians and another 40 percent are mestizos—part white, part Indian. Probably a majority of the Indians and a good many of the mestizos speak little or no Spanish. Hours from Quito, the savage Jivaros still hunt heads to sell for 1,000 sucres or \$140. In the fastnesses of the jungles, tribal warfare continues, with men put to death and women and children carried off to increase the numbers of the victorious tribe. As Columbia University's Dr. Frank Tannenbaum has eloquently phrased it, the Indian and white races—

met as billiard balls do on a billiard table. They met but did not penetrate * * *. The result was a nation within a nation, a culture within a culture, two people living in proximity but belonging to two different universes.

Today the Indians are becoming restless and, as always, the Communists are on hand to fan any fires that may develop. Within the past year, 3 Communist-inspired riots have cost 100 lives. Reportedly the Communists have made plans to disrupt the coming Quito Conference of the Organization of American States. A repeat of the Bogotá riots of 1948 is not impossible.

Ecuador is also burdened, as are many other Latin American countries, by a heavy birth rate which drains off much of the gain that has been made in gross production. Moreover, its economic potential is ball-and-chained with military expenditures many Ecuadorans believe are necessary because of continuing friction with Peru over the Rio Protocol of 1942, which ended open warfare between the two countries but left certain boundaries undetermined. At this point, development and land colonization are proceeding slowly, in part because of a procedural dispute between the Ecuadoran Government and the ICA, over a \$2 million loan for land colonization. Let me repeat that the time in Ecuador is growing short, and procedural delays can be just as fatal as any other.

PERU

From Ecuador, I flew on to Peru where I had the pleasure of renewing my acquaintance with President Manuel Prado and of renewing my friendship with his dedicated reform Prime Minister, Sr. Pedro Beltran. Senor Beltran is publisher of La Prensa, Lima's leading newspaper,

and he is a nonpolitician who has been brought into the Government to deal with Peru's pressing economic and social problems. Conservative in outlook, Senor Beltran is nonetheless one of the continent's leading reformers, and he has the wholehearted backing of President Prado, who has, in effect, lent him his own political support. Beltran's austerity policies, which, like Colombia's, bear most heavily on the wealthy, have earned him the enmity of his own class, and the possibility of another rightwing coup cannot be wished away.

As in Ecuador, Peru's major problem is the assimilation of its dominant Indian and mestizo population. Peru's population is 13 percent white, 49 percent Indian, and 38 percent mestizo. The Indians are for the most part illiterate and are effectively barred by law from ownership of the land. The processes of the 20th century, however, are breaking down the traditional order, and the race is on. I am told that if Beltran's reform program does not succeed, there is great danger of violent revolution within the next 3 to 5 years.

Sr. Eudocio Ravines, mentioned at the beginning of this report, the man who organized the Communist Party in Peru, reports that the Communists are strong among student groups and are trying actively to infiltrate the labor movement. They are said to have had considerable success in the copper miners' union. Their major opposition comes from the Aprista Party, a non-Communist, left-wing group, outlawed during the dictatorship of Gen. Manuel Odria, but now free to operate. The Apristas have given firm support to the Prado government and to Senor Beltran.

Until a few years ago, Peru had managed to sustain one of the best growth rates in Latin America. After an interruption of several years, this expansionary drive has been recaptured—in spite of the burdensome impact on Peru's economy of U.S. policy regarding lead and zinc imports. Of the many things Peru needs, two may be singled—first, seed capital to set up local savings and loan associations and, second, relief from the burden of a large and hungry military establishment. My conclusions on these matters coincide very closely with those expressed by Senator Aiken.

Peru's housing situation is desperate and the source of profound social unrest. Senor Beltran proposes to meet the housing crisis in the best traditions of free enterprise. He hopes to establish, with the help of the United States savings and loan associations which will in turn finance homebuilding on a reasonable, businesslike basis. It is my understanding that the Development Loan Fund, after a lengthy delay, has at last given its tentative approval to Peru's loan application. It is to be hoped that a loan agreement will be swiftly concluded. However, according to my information, the DLF has gone along with this loan most reluctantly. Thus its decision does not appear to indicate a basic change in the doctrinaire view that housing is noncreative and that loans in this field cannot therefore be classed as developmental. For my part, I think this view is much too rigid. I wholeheartedly endorse the position of Senator Aiken in this regard:

A savings and loan association provides a means for creating capital, a means whereby savings of thousands of people in amounts which are individually insignificant can be mobilized and brought together in amounts which are meaningful. It provides, in short, a beginning toward broadening

and institutionalizing the process of capital formation, and this may well be a more significant long-run contribution than any short-term improvement in housing.

I would hope that the DLF and other U.S. agencies will not be misled by one-cylinder theories into ignoring the many-sided condition of Latin America. We need to take more of a pragmatic, case-by-case approach instead of judging events by (sometimes not very relevant) abstractions.

As far as the military establishment is concerned, Peru's democratic leaders hope fervently for outside relief. The military in Peru are the beneficiaries of earmarked taxes. They have a guaranteed source of income in addition to regular appropriations for which they may qualify in the normal course of affairs. Peruvian leaders are constrained to placate the military, knowing that democracy exists on sufferance. I found great enthusiasm in private for the inter-American policy force idea which I have often espoused—as, indeed, I did in many countries on this tour where the leaders do not feel secure enough to make their private opinions public.

Happily, the principle of disarmament for Latin America appears to be gaining ground. President Eisenhower during his recent visit to Latin America, and Adlai Stevenson, the Democratic nominee for the Presidency during the last campaign, have both referred to the necessity for eliminating arms competition as a factor in the area. As I have indicated, the new generation of leaders in the developing democracies of South America are likewise convinced that without disarmament the progress of their countries will always rest on the shaky foundation of military acquiescence in the reforms which are so vitally needed.

Disarmament is a key—perhaps the key—to the future of Latin America. I believe that the way to get it in motion is to adopt the principle of the Latin American police force under the aegis of the OAS. Such an organization, guaranteeing borders of all states against external aggression, would eliminate the necessity for large national forces and would permit the disarmament which Latin America craves and which we in the United States believe in.

CHILE

After Peru, I moved on to Chile where I had the privilege of consulting with President Jorge Alessandri Rodriguez and many leaders of his Government as well as some opposition people. Chile has a long and proud democratic tradition and there is, happily, no present indication it is about to be discarded for the absolutism of the right or left. However, there are mutterings of revolution, and the Communist Party, which is legal, is exceptionally strong. In the last election the candidate of the combined Socialist and Communist Parties, Senator Salvador Allende, ran a strong second to President Alessandri. The President's coalition captured 32 percent of the vote, the far left Popular Action Front, about 29 percent of the vote.

The Communists are believed to have about 20,000 to 25,000 members in Chile and some 450 paid agents are believed to be active in the labor field alone. The numbers actually understate the Communist threat, however, for several reasons. First, the Chilean political

spectrum is divided and subdivided into 17 separate parties. There used to be 29. Second, the Socialist Party, with which the Communists have made common cause, is in some respects even more radical than the Communist Party. Third, Chile's economic situation continues to be critical. While there will not be another presidential election in Chile until 1964, congressional elections are due in 1961 and it is the consensus of those I spoke to that definite progress must be shown if the moderate, liberal, and conservative parties are to withstand the political assault of the left.

Chile, since the 1930's, has undergone a very debilitating inflation. In 1957 and 1958, the cost of living rose 70 to 80 percent annually. President Alessandri, nominated as the candidate of the right wing, has devoted himself to bringing this inflation under control. He has freed prices to seek their normal levels. He has informed businessmen that they must absorb their costs without raising prices. He is exerting pressure on the congress to limit the wage adjustment this year to 10 percent, despite the fact that the unions have heretofore been accustomed to receiving all or most of the cost-of-living increase.

By these methods, President Alessandri managed to hold inflation in 1959 to 30 percent—a substantial rise, to be sure, but a considerable improvement over the experience of the previous 2 years. Although elected as a dyed-in-the-wool conservative, Alessandri, like Beltran in Peru, is pushing strongly for a housing program to relieve the intolerable slum conditions which are one of the chief reasons for left wing political success. In Santiago alone, some 150,000 persons inhabit miserable shanty slums, the Callampas, which have no counterpart in the United States, miserable as some of our own slums may be.

Some progress in clearing these slums has already been achieved, but President Alessandri, like Senor Beltran, hopes that American seed capital can be employed to speed up the process with the active participation of local private enterprise. As Senator Morse pointed out in his report to the Senate Foreign Relations Committee, Chile, too, is showing an active interest in the savings and loan principle. Senator Morse correctly observed:

It is very important that we export to Latin America not only American financial aid and American goods, but that we also export American private enterprise know-how techniques and institutional procedures which will enable business interests in Latin American countries to help their governments and their people solve many of their own economic problems. * * * If we could help establish in Chile a savings and loan association program adaptable to the economic and financial problems that confront Chile, it might very well serve as a model that could be adopted in many other Latin American countries which are confronted with a serious housing problem.

This view, I think, is entirely in accord with Senator Aiken's statement on the Peruvian situation and with my own judgment of the problem and of the opportunity it presents for collateral development of the area's economic structure.

Chile's wealthy, like some others in Latin America, do not like to pay taxes, and this has been and continues to be a pressing problem for the

Alessandri administration. The Government is also faced with the fact of declining per capita agricultural production. Once a food exporter, Chile must now import to live. Due in small part to migration from the farms and in larger part to population increases, Chile's per capita farm production has skidded 20 percent in 20 years.

Apart from the long-range hope that food production can be increased by persuading large property owners to undertake intensive land cultivation, Chile must look to an increase of exports to provide foreign exchange for food purchases abroad. The Alessandri government is desirous of increasing local manufacturing, and it has drawn up an attractive new law to entice foreign investment into the country. However, because of its geography and population distribution, Chile does not now offer an attractive market for modern manufacturing methods. For this reason as well as for others, Chile has been a motive force in the drive to organize a Latin American Common Market.

Again like Peru, Chile is troubled by the need to support a large military establishment. Each military expenditure by Peru on the north or by Argentina on the east is certain to create pressure for a like expenditure in Chile. The civilians in Chile's Government would like to get off this merry-go-round—and so would the Peruvians. Yet without external help there seems to be no hope.

President Eisenhower, during his visit to Santiago, offered this Government's firm backing to President Alessandri's disarmament plan. The United States, he said, would guarantee the nations of Latin America against external aggression. Without intending any disrespect, it seems to me this is the right track but the wrong train. The dispatch of U.S. troops to Latin America, even under the license of the OAS, might create as many problems as it would solve. The solution, I believe, is to create an independent force wholly under the authority of the OAS. It would serve the function of guaranteeing borders without opening the United States to the charge of intervention.

ARGENTINA

After Chile, my next stop was Argentina. Here, too, leadership has passed into the hands of a relatively conservative, businessman's government. President Arturo Frondizi, a man of great culture and sensitivity, has exhibited the highest political courage in his efforts to relieve the Argentine Republic of the ruinous economic and social legacy left behind by Juan Peron when he fled with his satchels full of gold.

Originally supported by the Peronists and the Communists, Frondizi and his chief deputy, economic czar Alvaro Alsogaray, have clamped down with a tough, in fact uncompromising, austerity program which has left the Frondizi government with little popular political support. However, Frondizi is taking a daring political gamble—that his policies will pay off before a final accounting must be made at the polls. If this gamble should fail, Argentina will be back in the soup. The Peronists are still extremely strong, though they lack any kind of positive program and would probably disintegrate if confronted with the necessity of presenting one. The Communists, in their usual cynical fashion, have been working both sides of the streets.

An effort to challenge the Frondizi government with a political strike failed in the middle of last year. The strike collapsed in 2 days. Senor Alsogaray, a tough-minded little man, dedicated to the cause of free enterprise, believes that the turning point has already been reached and passed. Friends of democracy must certainly pray that this is so.

During the Peron years, Argentina's capital resources were allowed to deteriorate alarmingly. The cattle herds which are the country's major source of exports were substantially depleted. Production facilities had depreciated. Inflation was rampant. It was in this way, in part, that Peron managed to pay for the general welfare programs which were the source of his appeal to the masses and which diverted public attention while he stole the country blind.

The program of President Frondizi and Senor Alsogaray has gone directly to the root of the problem. Prices have been freed. This has led to a 120-percent rise in the cost of living. However, there was no other way to reverse the deadly process of decapitalization. In addition, the Government has established a single rate of exchange to be determined by supply and demand, has eliminated trade prohibitions, subject to surcharges and prior deposits; has slashed Government spending; has placed severe restrictions on public and private borrowing, and has insisted on limiting wage increases with these results: foreign exchange reserves have increased 500 percent, from \$90 million to \$450 million; a negative foreign trade balance of \$250 million in 1958 was converted into a positive balance in 1959 of \$50 million. Inflation at last appears to be leveling off.

The Frondizi government has also opened its oil reserves for foreign investment though the reserves remain ultimately in the hands of the Y.P.F., the Government oil firm. Oil imports have been costing Argentina in the neighborhood of \$200-\$250 million annually. Argentina now hopes to be self-sufficient in oil production by the end of 1961.

However, there is still much to do. There is a long tradition of tax evasion among Argentina's wealthy. The Frondizi government hopes to correct this basic fault and, in the process, to reorganize the tax laws, eliminating the tax on low-income groups and increasing it on the upper level.

Moreover, Argentina, like Chile and like Peru, has an acute housing problem. For 15 years or more, Argentina has had rent controls on certain houses with the result that comparable housing may cost anywhere from 2,000 to 40,000 pesos. A new law, due to be enacted within the next couple of months, would provide for low-cost government housing for low-income groups and free-enterprise housing at the middle and upper income levels. Argentina, too, likes the idea of creating savings and loan institutions with seed capital to finance the needed construction.

The U.S. Government and such international lending agencies as the I.M.F. have given liberal assistance to the Frondizi government in its mighty efforts to order its economic house. Credits in the past 4 years have amounted to around \$1 billion. We have a heavy investment in the success of this effort, and some critics have suggested that we have put too many eggs in a single basket. I cannot accept this view. The only apparent alternative to the Frondizi government at the present time is dictatorship—whether of the right or left. In all cases, we ought to offer our support, as in Argentina, to the

moderate, democratic forces. They are the hope of the hemisphere.

Over the years, Argentina's relations with the United States have been complicated by the fact that Argentina's major exports—meat, wheat, and wool—are also important products of the United States. Argentinians complain, with some justification, that U.S. agricultural policies lead to overproduction, which, in turn, depresses the world market price. In addition, Argentine pride is wounded by the fact that U.S. sanitary regulations restrict the entry of meat and meat products which the Argentinians regard as the best in the world. It is important to recognize that these and other commodity problems of Latin America are a perennial source of friction. They deserve sympathetic attention and consideration wherever possible.

BRAZIL

In Brazil, the situation is very different. There the watchcry is not austerity but full steam ahead. In Juscelino Kubitschek, Brazil is gifted with a President of powerful energies and high purpose, a man with the will and apparently the way to transform his sleeping giant of a country into the colossus of the continent. Brazil is today experiencing wracking inflation, and this will apparently be the leading issue in the upcoming presidential election. Both of the leading candidates, Gen. Teixeira Lott, the administration candidate, and Janio Quadros, have been critical of the Government's inflation-feeding policies and have promised to bring the runaway cart under control.

It is to be hoped that a program aimed at reducing the inflationary pressures in its economy will enable Brazil to consolidate the very real gains registered under President Kubitschek. The President's goal has been to supply the basic economic infrastructure on which to build a 20th century society. During his administration, he has added about 3,000 new roads, many of them penetrating the heretofore trackless jungle interior, and about 1 million kilowatts of power. The enormously costly construction of the new Federal capital at Brasilia is, in part, intended to be a symbolic act opening up Brazil's mineral-rich frontier for exploration and development. This has been achieved at the cost of a \$100 million trade deficit in each of the last 3 years, an inflation amounting to about 50 percent in 1959 alone, the overextension of credit, and the relative neglect of agriculture on which Brazil's export trade normally rests.

Even with all of the economic activity of the past few years, Brazil still faces a power shortage, and, despite a manifold increase in the production of petroleum—about 2,000 percent in 5 years—it is still importing oil at the rate of about \$250 million a year. In short, Brazil is bursting economically and the danger is that it may fly apart at the seams.

President Kubitschek would like very much to have U.S. aid. We have been reluctant to extend loans to cover trade deficits when there was no assurance that these deficits would not be immediately repeated. Our Government's policies have engendered a certain amount of unhappiness in Brazil. This country, which covers half the land mass in Latin America and which contains nearly half of the continent's population, feels that its importance as an ally of the United States has been greatly underrated.

In recent years, the Brazilians have sought barter agreements with Iron Curtain countries, and they have shown some tendency to wander out of the free world camp at the United Nations—for example, in their vote to seat Poland on the Security Council. In all probability, the United States will come in for some verbal abuse during the coming presidential elections.

However, it deserves to be noted that Brazil was the first country in South America to refuse the invitation of the Castro government to participate in a conference at Havana which would allow Castro to pass himself off as a leader among the underdeveloped countries of the world. President Kubitschek rejected the invitation firmly and flatly. Although they need attention, U.S. relations with Brazil are basically good. And there is no question that President Eisenhower's visit there will do relations between the two countries a great deal of good. We cooperate in a very active binational center program, and several of the centers are quite large. The ones in Rio and São Paulo have 7,000 members each. The center in Porto Alegre has 6,000 members. Very little U.S. money goes into these programs. The activities of the centers are financed by fees paid for courses in the English language.

By and large, I share the feeling of Senator Morse and Senator Aiken that our approach to Brazil's economic problems may be too much dictated by dogma and too little influenced by creative imagination. I do not, however, agree with the view that we ought to extend loans to Petrobras, Brazil's Government oil monopoly.

VENEZUELA

From Brazil, I flew on to Venezuela, where President Romulo Betancourt is walking perhaps the giddiest tightrope of all. The overthrown Perez Jimenez dictatorship left as its legacy to the unhappy people of Venezuela a substantial debt and a charged political atmosphere. The present Government is a coalition of the three major parties—the Democratic Action Party, which is President Betancourt's own group, the Democratic Republican Party, and the Social Christian Party—plus some independents. Prior to the democratic elections of December 1958, all the major parties agreed that, whichever candidate won, all parties would be brought into the Government in an attempt to provide the stability needed to meet the innumerable problems bequeathed the country by the unlamented dictator. Thus far the agreement has held up. In addition, Betancourt enjoys the support of the leaders of the armed forces of Venezuela.

The political situation is not as rosy, however, as these facts might lead one to believe. Betancourt has resolutely refused to admit the Communists into his coalition, and they have made life miserable for him. The labor unions, the university faculties, the student groups, the communication media are heavily infiltrated with Communists, and they are preaching the gospel of revolution. Moreover, Venezuela and President Betancourt personally are under nightly attack from the radio of the Dominican Republic. Emotions are still as close to the surface as they were when Vice President Nixon was stoned in Caracas 2 years ago. Rumors of revolutions and coups sweep the city with almost monotonous regularity. I'm told that students at the University are openly manufacturing crude bombs and maintain

semidisciplined military groups for the moment when they may be called to action. To maintain his coalition, Betancourt has been forced to "keep a great many people happy" with political plums and appropriations. On the rumor circuit, which buzzes 24 hours a day, there are always reports that the coalition is about to dissolve.

Despite the constant political harassment and the intense pressures under which he must necessarily operate, Betancourt and his ministers have managed to make considerable progress. Three-quarters of a billion dollars in obligations left behind by the dictator have now been repaid. Starts have been made toward improving conditions in education, housing, agriculture, public health, and social services—all of which were neglected by Perez Jimenez in favor of showcase public works projects in the capital city of Caracas. Betancourt has also begun extensive programs in land reform and economic diversification designed to reduce the disparities of wealth which have made Venezuela a land of millionaires and misery, oil, and oppression.

But the Betancourt government still faces a number of acute economic problems. Its foreign exchange reserves have declined from \$1.4 billion to about \$600 million, in spite of advance payments on taxes by the leading oil companies and a healthy backlog at the beginning of about \$700 million from oil concessions granted in 1956-57. In addition, there appears to be, although the evidence on this point is not clear, a considerable flight of capital from the country, most of it speculative money seeking a haven.

Venezuela at this point needs at least \$200 million to tide itself over the rough period immediately ahead. A group of U.S. banks have offered to make such a loan but on terms Venezuela finds it impossible to accept. The money would have to remain on deposit in the United States earning 3½ percent interest while Venezuela paid 6 percent for the privilege of having a loan on the books.

However, Venezuela is also engaged in negotiations with the World Bank and the International Monetary Fund and there is hope that one or the other will come to the rescue. The U.S. Government, I believe, should do everything in its power to see to it that Betancourt's government gets what it needs on reasonable terms. I am convinced—as was every American with whom I spoke in Venezuela—that the success of the Betancourt government is an absolute essential for our own self-interest as well as for the future of democracy in Latin America. Let us remember that we are not jumping in behind one man or one party but behind the entire democratic movement of the nation. All the democrats in Venezuela of whatever party have committed themselves and their fortunes to the common cause.

CASTRO AND THE CARIBBEAN

During my South American swing, in every country which I visited, I found, as might be expected, intense interest in the Cuban situation. A year ago Fidel Castro was quite a hero in Latin America. Today, in most places and with most people, the shine has worn away to reveal the tyrant and the megalomaniac beneath. Certainly the responsible leaders of South America want no part of Fuhrer Fidel and his firing squad "humanism." From Panama south, there are few illusions about Fidel. Moreover, he seems to have lost his grip on the imaginations of all but the most inveterate Yankee haters.

But many in Latin America are waiting anxiously and expectantly to see what the United States is going to do about this self-important little dictator. Are we going to continue taking abuse, grinning all the while like a sick ape? Are we going to continue rewarding insults and provocation with favors in the American market? Are we, in short, going to continue cowering in the corner because someone might accuse us of bullying the bullyboy?

If this is to be our course of action, then we can be certain there are many in Latin America who will imitate Fidel for the sake of the favors we might confer. I was told by several top leaders whom I visited that Fidel's example sets a dangerous precedent—that, even now, some believe the only way to make Uncle Sam pay attention is to kick him in the shins. Our excessive tolerance of this intolerable tyrant is making things very, very difficult for the moderate leaders who are disposed to be our friends.

We have waited long enough, I think. Castro has now identified himself for what he is—a man, who if not himself a Communist, is certainly doing the work of the Communists with the direct help of the Communists.

If it were not so serious for my country, I might find a kind of ironical amusement in the fact that Anastas Mikoyan can come to Havana and be greeted as a hero for buying sugar at the world market price while we in the United States are assaulted verbally day in and day out for buying at 2 cents over the world price. I do not believe that the world will respect us if we have no self-respect.

I do not favor our acting unilaterally against Cuba. I believe we should take all the voluminous information in our official files and turn it over to the Organization of American States for consideration under the Caracas resolution. The states of the hemisphere should know that the dictatorship of Fidel Castro is just as oppressive and just as bloody as if it had no so-called revolutionary ideas to mouth and no giant neighbor to rail against. The United States must immediately adopt a hard and tough line with Castro. We must make it absolutely clear that we will stand for no more arrogant nonsense or condescending notes. And we must see to it that the contagion spreads no further.

DOMINICAN REPUBLIC

It was with this thought in mind that I proceeded from Venezuela to the Dominican Republic after a brief stop in San Juan, P.R. It would have been easy for me to overfly the Dominican Republic. I was urged to do. I elected to go on chiefly because I felt the time and the opportunity had come to talk turkey with Generalissimo Trujillo. I wanted to see him to express my concern about what might happen when deposal, as it might, or death, as it eventually must, took away the powers he has exercised with an iron hand for 30 years.

I told Generalissimo Trujillo face-to-face, in an atmosphere initially quite cool, that his displacement from office was inevitable; that, if a vacuum were left behind, Communists and Fidelistas as well as genuine democratic Dominican groups would move in; that in any contest for the power, the Communists, with their 40 years of experience in the techniques of subversion, would make a determined and possibly successful bid for power; that if the Communists took over,

the economic gains achieved under Trujillo would disappear; that the Dominican Republic would then become an operating base in the efforts of international communism to divide and destroy the free world; that, in any case, all the monuments erected in Trujillo's name would be dishonored and discredited. I told him further that he had an opportunity to arrange for an orderly transfer of power through democratic processes from a dictatorship to the people of the Dominican Republic themselves.

Trujillo listened to all of this and then asked me what I meant by democratic processes. I said, "free elections."

He told me that he could be elected President of the Dominican Republic in a free election. I said that might very well be true but that if Trujillo, his brother, his son or anyone bearing the name of Trujillo participated in an election, irrespective of how fair the election might be, no one in the world would believe that it had been free.

Trujillo then agreed to have the Dominican constitution changed so as permit free local elections within the next 15 months, and he also assured me free elections would be held on the national level within 2 years. He told me additionally that neither he nor any member of his family would be a candidate. He stated he would extend an invitation to the refugee Dominicans to return to their homeland to join in the elections, and he said he would invite the Organization of American States to send observers to oversee the election procedures.

In addition, the Generalissimo asked me if I would suggest the name of a responsible American official to come and observe the trials of the young men who have been arrested and charged with plotting the overthrow of the government. I suggested the name of Richard Ervin, Florida's attorney general and president of the National Association of State Attorneys General. Mr. Ervin subsequently declined the assignment.

That, as faithfully as I can recall it, was the substance of our conversation. It was witnessed by several members of my own party and by the American Chargé d'Affaires in Ciudad Trujillo, Mr. Henry Dearborn.

I know that others share my conviction that an orderly transfer of government by democratic processes is infinitely better than change accomplished through violence. I went to the Dominican Republic to urge this course, hoping that I might thereby save many lives and prevent the establishment of yet another Communist beachhead in the Caribbean. Time will tell whether I succeeded or failed. In case, I am not sorry to have tried.

HAITI

From the Dominican Republic I continued on across the island of Hispaniola to Haiti. This is a country accustomed to political turmoil. Today it is living on the knife's edge between the aggressive leftwing dictatorship of Fidel Castro on the West and the rightwing dictatorship of Trujillo on the East. One revealing statistic—the present administration under Dr. Francois Duvalier is the seventh since the ouster of dictator Paul E. Magloire in December 1956.

Haiti is wracked by extreme poverty and by illiteracy approaching 85 percent. The Duvalier government has attempted to come to grips with these problems but it is desperately short of funds. When

President Duvalier assumed office, the national treasury was empty and the Government's domestic and foreign debt amounted to \$55 million. The year 1958 was a bad year for Haiti's coffee crop, and as a result the financial situation has not improved.

Moreover, Haiti's economy has not yet recovered from the vicious body blow dealt by Hurricane Hazel in October 1954. Furthermore, agricultural production, on which 90 percent of the population depends for its livelihood, is under ever-increasing pressure from an exploding birth rate.

The United States has stepped into this breach with direct technical and economic assistance, and we have been sending in surplus food to help combat a shortage brought on by prolonged drought. At the present time we also have a detachment of Marines in Haiti, there at the invitation of the Haitian Government to help train Haitian ground forces against possible invasion.

I think those Marines are doing an excellent job of helping to train the local constabulary. They are an important stabilizing influence. We do not like to talk about Marines being anywhere in Central or South America. We hope they will never be sent again without invitation. However, in this instance, not only do I believe we need these 50 Marines, but both the colonel in charge of the detachment and the Haitian Government ask that we send about 50 more.

Much as I would prefer to report another finding, I can see no alternative to the continuance of this direct economic-budgetary assistance. Nor can I see how our Marine detachment can be withdrawn, given the current unrest in the Caribbean. Here again may I put in a plug for my inter-American police force plan. If such a force were now in existence it would not be necessary for U.S. Marines to guarantee Haiti's borders.

Finally I recommend that our technical assistance program to Haiti should be continued at least at the present level. I hope that somehow it may be increased.

IV. RECOMMENDATIONS ON TRADE

CREDIT INSURANCE PLAN

(1) I recommend that Congress act immediately to establish a credit insurance or reinsurance program comparable to those now in existence in Western Europe and elsewhere. These guarantees would enable American firms to meet the credit competition of Western European, Japanese, and Canadian exporters who are now making significant inroads in world markets, not because they offer better quality goods or lower prices but simply because they can grant more favorable terms than those which U.S. firms can reasonably extend.

COMMERCIAL ATTACHÉ TRAINING

(2) We should take immediate action to establish a system of full-time commercial attachés, adequately trained in the intricacies of the governmental labyrinth and therefore able to offer knowledgeable advice when it is solicited on where and how things are done. These men should have sufficient help so that they are able to investigate trade conditions in the field instead of being chairbound by the demands of their job. The great need is for a catalyst to bring together

existing opportunities and the businessmen who can make the most of them. To date, this country has been too little interested in this kind of trade promotion. Trade fairs are lovely and we should have more of them. They do much good. But they are only part of the job which must be done.

LOCAL DEVELOPMENT

(3) We should assist local governments in the setting up of national development authorities which would in turn furnish technical help and clerical assistance to small firms seeking business loans from the U.S. Government, from international agencies and from private banks. Conceivably such institutions, with the establishment of proper safeguards, might themselves become final lending authorities.

QUOTA RESTRICTIONS

(4) U.S. quota restrictions against Latin America's principal export commodities should be reexamined, having in mind especially those governments which have shown themselves friendly to the United States. At the same time, the U.S. Government should insist on equitable treatment for U.S. exports even where circumstances have forced local governments to control purchases for the sake of conserving foreign exchange. All we ask is the right to compete on even terms.

COMMON MARKETS

(5) In every way that it is possible, the U.S. Government should offer its enthusiastic backing for the development of common markets or free trade areas in Latin America. In mid-February, Argentina, Brazil, Chile, Mexico, Paraguay, Peru, and Uruguay signed a treaty for a free trade zone. A Central American Common Market, embracing Guatemala, Honduras, El Salvador, Nicaragua, and Costa Rica, is about to be brought into being. Colombia, Ecuador, and Venezuela agreed a year and a half ago on the principle of a customs union. These developments do, of course, portend some immediate loss for U.S. exports. But it would be shortsighted of us to see only the short-range loss. Latin America's economic progress has been hampered by small national markets which make consumer manufacture impractical. The trade zone and common market principles make possible the creation of large, multinational markets. In part our own economic progress rests on a similar foundation. The commerce clause of the Federal Constitution is the charter of the American customs union, and it has brought us vast benefits. The existence of a huge consumer market clear of tariff and customs barriers has brought prosperity to all and made the U.S. market a prime target for foreign goods. In the long run, the interests of American exporters will be directly served by the establishment of an equivalent market setup in Latin America. A growing market is a good market for anyone who has useful products and services to sell.

U.S. INVESTMENTS IN LATIN AMERICA

(6) Despite the current balance-of-payments deficit, the Boggs bill on foreign investment should be adopted to enable U.S. firms to invest in Latin America on a freely competitive basis. Again, we would be

foolish to adopt the short-range view. We cannot save jobs for American labor by shutting our eyes to the facts of life. We must see to it that the economic development of Latin America goes forward with U.S. help. Ultimately, this development will itself generate additional demand for U.S. goods and, therefore, for the products of U.S. labor.

EMPLOYMENT OF LOCAL PERSONNEL

(7) Wherever possible, U.S. business should be encouraged to adopt a policy of employing local personnel and training them in U.S. techniques. Familiarity with U.S. machines and U.S. methods will help to stimulate demand for U.S. exports.

V. GENERAL RECOMMENDATIONS

HOME BUILDING PROGRAM

(1) The U.S. Government should adopt a policy of actively promoting the establishment of local savings and loan associations in Latin America. This would permit a direct approach to the housing problem which is generic to Latin America, and it would also have side benefits in familiarizing Latin America with U.S. techniques for mobilizing and employing small amounts of capital for the achievement of national purposes.

(a) The DLF loan agreement with Peru for the establishment of a local savings and loan association program should be concluded as swiftly as possible and the DLF should henceforth adopt a policy of judging such applications on a pragmatic, case-by-case basis.

(b) Section 5 of the Home Owners Loan Act of 1933 should be amended to permit U.S. savings and loan associations, under adequate safeguards, to invest a modest amount of capital in Latin American savings and loan associations.

(c) The Export-Import Bank should establish the policy, which it has already accepted in principle, of making Cooley fund money available for local home-building projects when these seem financially sound. A Peruvian corporation, headed by an American named Willard Garvey, has already received a loan of \$160,000 for this type of project. I see no reason why the policy should not be extended in instances where the business arrangements are equally sound.

(d) The existing policy of the International Cooperation Administration of lending local currencies for seed capital should be pushed wherever possible within the context of ICA's other obligations.

(e) U.S. bankers should be encouraged to extend and develop the modest exercises in technical banking cooperation which are already underway.

(f) In helping tackle the housing problems of Latin America, U.S. agencies should adopt a flexible approach which would allow local governments, within the limits of financial responsibility, to apply methods they consider best in terms of the local situation. We ought not to impose solutions of our own as a condition of support. Our object should be to establish pilot projects which will eventually furnish alternative approaches for the governments of Latin America to select among.

SMATHERS AMENDMENT

(2) The so-called Smathers amendment for sanitation, education, land colonization, and distribution should be reenacted—as quickly as possible.

INTER-AMERICAN DEVELOPMENT BANK

(3) Of all the lending agencies, the Inter-American Development Bank should be the one most inclined, in view of the pressing economic and social needs of Latin America, to reject the doctrinaire approach of the classicists. Strict business principles need to be balanced against the social, political, and economic dividends which in many cases outweigh immediate dollar costs. U.S. influence in this agency should be exerted on behalf of maximum flexibility. However, I would never go so far as to say that this bank should make a loan which it did not consider repayable.

SMALL LOANS FOR FARMERS

(4) The United States should explore the possibility of helping local governments to set up agricultural loan funds for small farmers who require \$200 to \$300 or less to purchase seed and thus increase the yield. U.S. participation should be undertaken on a loan basis only, with local governments guaranteeing repayment.

STUDENT EXCHANGE

(5) Again, as I have done before, I recommend a substantial increase in the student exchange program. As Rector David Stitchkin of the University of Concepción in Chile pointed out to me, local leaders and intellectuals, trained in the United States, are one of the most effective answers possible to anti-Americanism. And it is among the architects of the future, the university students of today, that we are losing out to the siren appeal of the Communists.

HELP FROM NATIVES

(6) As a corollary to the previous recommendation, we should see to it that the names of all individuals who have studied in the United States are made known to our embassies and to USIA personnel. Many such people told me they would be very glad to assist in putting the U.S. case before the groups in which they are active. Unfortunately and surprisingly, they are not now in contact with our representatives.

BINATIONAL SCHOOLS

(7) We should offer emphatic support to the binational school program which is making small but significant progress toward breaking down suspicion and establishing friendly relations between our country and the people of Latin America. Since these schools are largely self-supporting, we can step up this program dramatically without incurring substantial cost.

INFORMATION PROGRAMS

(8) Our overseas information programs should be carefully scrutinized by the Department of State and by committees of the Congress to determine whether they are reaching the people they are intended to reach. In several countries I was told that our information releases do not penetrate very deeply. For example, an Argentinian friend of the United States told me that U.S. brochures and magazines, printed on quality paper with first-class typography, are dismissed as propaganda and are not even read by the working class. Communist propaganda, printed sloppily on poor quality stock, is devoured eagerly. It may be, in certain cases, that our technical competence defeats our purposes.

COMMUNICATION WITH THE PEOPLE

(9) This matter of communication with the local population deserves greater attention than it is now getting. In this connection, I offer several subrecommendations:

(a) An institute for training diplomats bound for Latin America should be established on the island of Puerto Rico, which serves as a natural bridge between the cultures of North and South America. Training should also be available to the wives of those bound for duty in the area. Ultimately, such an institute might also become a locus for education of Latin Americans, many of whom would like exposure to U.S. schooling but who cannot use the English language with sufficient confidence.

(b) More Spanish-speaking citizens of the United States—from Puerto Rico, from Florida, and from the States bordering Mexico—should be recruited for service in Latin America. The key word is “recruited.” I think I understand the reasons of the Foreign Service for lowering its language requirements to permit normal tonguetied Americans to qualify. I am by no means in favor of limiting our diplomatic corps to linguists. But here again we seem to take an all-or-nothing approach. And the facts of the matter are that just as we need able young economists and other social scientists who could not conjugate a foreign verb if their lives depended on it, so we also need more officers who understand intimately the language and customs of the areas in which they serve. Too many of our diplomats are simply not comfortable in the countries where they work. I do not mean this in the sense of creature comfort, nor do I mean a slur against the Foreign Service—only that we need more diplomats who feel at home where they are serving and who can ably interpret the United States to the people and, in turn, learn things that a diplomat with a down east or a southern accent will never even get to hear.

(c) Diplomats serving in Latin America should be assigned to their posts a minimum of 3 to 4 years, except under unusual circumstances. In less time than this, there is barely an opportunity to learn the job before moving on and precious little incentive to mix with the local population.

(d) The United States should organize a positive program of democratic missionaries to carry our message into the unions, the schools, and the press of Latin America. This is what the Communists do and so should we. I believe we should establish an agency whose sole

mission would be to promote the cause of democracy as the Reds promote the cause of revolution. If we give it a proper chance, the democratic message—that reform accomplished by democratic political action is sure and lasting—is certainly no less persuasive than the Communist dogma of class hate and revolution and, I feel confident, a good deal more so.

The trouble is that not enough people are actually working to improve the labor unions; no one is debating with the Communists the conditions which exist. No one is going to the schools to present the case for freedom and democracy. Yet we in this country sit back and think that somehow those people are going to learn democracy by osmosis. I am satisfied there are many young people in the United States who would be willing to go to South America as the religious missionaries have gone and are going, to meet the Communists on the local grounds and present what will be for those people, as it is for us, a better and more fruitful philosophy.

UNDER SECRETARY OF STATE FOR WESTERN HEMISPHERE AFFAIRS

(10) Finally, I recommend, as I have many times before, that we revamp the organizational structure of the Department of State so as to create the office of Under Secretary of State for Western Hemisphere Affairs. I will not repeat the argument I have several times made except to say that unless we give this hemisphere the place in our thinking which it properly deserves we are likely to awaken one day and find the Communists beating on our door. Have we so soon forgotten the lesson of Guatemala? Or have we not yet learned the lesson of Cuba, just 94 miles away?

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mission would be to promote the cause of democracy as the Reds promote the cause of revolution. If we give it a proper course, the democratic cause—its cause—will be promoted by democratic political action is sure and lasting—is certainly no less persuasive than the Communist doctrine of class hate and revolution and, I feel confident, a good deal more so.

The trouble is that not enough people are actually working to improve the labor union; no one is debating with the Communists the conditions which exist. No one is going to the schools to present the case for freedom and democracy. We are in this country, at least, and I think that somewhere else people are going to learn democracy by osmosis. I am satisfied there are many young people in the United States who would be willing to go to South America as the religious missionaries have gone and are going to meet the Communists on the local grounds and present what will be for those people, as it is for us, a better and more truthful philosophy.

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