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September 16, 1957

MEMORANDUM

To: Hon. Roy Rubottom, Assistant Secretary of State  
United States Government

From: Rafael Picó, Secretary of the Treasury  
Commonwealth of Puerto Rico

Subject: Observations on Inter-American Conferences

The following observations are a result of my participation on the recent Buenos Aires Economic Conference, but they also reflect previous experience attending other Inter-American conferences, especially the First and Third Extraordinary Sessions of the I. A. -ECOSOC and the Fourth Meeting of Consultation of Ministers of Foreign Affairs. They are offered in the spirit of cooperation solely for your own information and whatever use you feel proper to give to these remarks.

In the first place, I would like to express my sincere satisfaction with the performance of the U. S. Delegation in these meetings. I was very much impressed by the hard work of all delegates and advisors, from the early morning hours until the late hours in the evening, diligently working towards the goals assigned to each one. They all stroke me as highly capable, intelligent public servants who earnestly devoted themselves to their tasks and who showed immense patience when dealing with our Latin American friends. In short, as an American citizen, I felt proud of the caliber and the attitudes of our representatives in these conferences. I wish the public at large could see the inner workings of our delegations and I am sure they would also share my elation in seeing how well they are represented in these conferences.

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To: Hon. Roy R. Rubottom

-2-

September 16, 1957

The press has labelled the Buenos Aires Conference as disappointing because agreement could not be reached on a number of items. The Buenos Aires Conference, with a build up of ten years and with a very general agenda, was bound to disappoint everybody but the most patient observer. I hope that the United States does not get into this type of general conference again. Certainly, not before it is fully prepared to sponsor or agree to certain basic resolutions which will enhance our prestige and our position vis-a-vis Latin America. Of course, it is much preferable to sponsor specialized conferences with a realistic, detailed agenda where full agreement can be reached instead of such an ambitious conference where twenty-one nations participating could easily mean twenty-one different points of view.

I will also suggest that the tendency to agree to go along with numerous ideas that are not really acceptable to us is not the best policy. Yet, unfortunately it is followed too often by our Delegation for comfort. It is a way to postpone a very debatable subject. We should determine beforehand whether we really are ever going to agree to the subject, and if we are positively against it instead of accepting a "study", we should state our position clearly and unmistakably. This way we do not raise any false hopes in our Latin American neighbors that later lead to future frustrations. I cannot insist enough that it is much better to be firm on items that are really unacceptable to the United States than to try to be conciliatory when we really do not have any intention to agree to the final conclusions of a controversial subject in a future conference.

However, the press is unfair in overstressing the disagreements. It is true that in the Buenos Aires Conference as well as in others held in the past



To: Hon. Roy R. Rubottom

-3-

September 16, 1957

there have been clashes between the U. S. and the Latin American points of view. This is perfectly explainable if we realize the tremendous differences between the two areas; on the one hand, the U. S., fully developed, rich, a creditor nation; and on the other, under-developed, debtor Latin America, with very low capita income and low standards of living for most of the population. With these two extremes, you would logically conclude that it was impossible to get any agreement at all! The record shows a very large field of agreement between the two areas and that is what the press forgets. This record shows that there has been unanimous approval of numerous items and that the reservations and abstentions are minor compared to the agreements. Having attended similar conferences, six or seven years ago, I could witness a progressive change of attitude of the United States towards a more liberal policy, towards more agreement with Latin America, a new attitude that has not been fully credited by the press or observers in the Buenos Aires Conference. If a careful examination were made of the record and more adequate publicity given to it, we certainly could find that the United States is much more generous, much more willing to help its Latin American neighbors than it ever has been in the past.

Yet, it cannot be denied that there are still differences between the two areas. What can be done to diminish these differences and to achieve even greater success in these conferences? I believe that, in spite of the lack of understanding of our position, the United States should continue its generous attitude and should progressively enlarge it so as to help achieve the goal of a fully developed hemisphere with a higher standard of living for all. The

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increasingly generous attitude of the United States does not mean an expansion of "hand-outs" or grants except in cases where clearly it is the only solution for an emergency problem or a situation that goes back to the roots of ancestral poverty and only a grant for a temporary period is the solution. It is in the provision of loans, both private and public, and in the extension of all sort of technical facilities to Latin America that lies the opportunity for the United States to help its neighbors under terms that would be satisfactory to both.

These terms have always been a subject of great debate in all places, including the recent Conference. In our dealings with Latin America I think we should stress that loans and other economic aids do require a sensible policy towards investment in these countries. I do not mean foreign investment alone. I mean that the developing countries must show to private investments, both national and foreign, an attitude of cooperation, a willingness to help them invest and produce, if these countries are going to be developed at all. There is a growing feeling everywhere that unless oppressive taxation and other policies are lightened for producers, both foreign and national, it would be very difficult to reach these goals. All investors should be guaranteed full, just and prompt compensation if expropriated. As you can see, it is not a question of giving privileges to foreign capital, it is treating foreign as well as domestic capital with reasonable terms that will make it possible for them to develop full production. This policy does not exclude reasonable social legislation in accordance with modern living conditions, although care must be taken of demagogic schemes

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that tax beyond reason the productive capacity of the country and that finally hurt laborers as well as producers.

The policy also should not exclude the participation of Government in economic activity. In fact, in developing countries as in our Latin American nations, it is absolutely necessary that Government take the initiative in numerous cases to start development. The experience in Puerto Rico has shown in addition that if the country wants to have full development, the Government will soon shift its participation to protecting and stimulating private capital instead of trying to do all the job by itself.

There is another prerequisite to development that I believe the United States should stress in its dealings with the Latin American nations. I refer to the need of adequate and over-all planning before starting expensive projects. Developing countries have a tendency to propose pet projects usually on a grandiose scale that are sponsored by political leaders as their monuments for posterity. In other cases good projects are proposed, but without a previous analysis as to how they would fit in the over-all development of the country. I believe the United States should stress that there must be a thorough analysis of the resources of each country before loans and investments are made. There must be studies even if they might not sound very glamorous and even if they sometimes tax the patience of over-anxious executives who feel they know everything about their countries and that what is needed is just capital for development. Firmly, we should insist that they make the over-all studies that would indicate the resources, the conditions of their different countries, their actual needs and the way the pro-

jected developments will fit in that over-all pattern. This way I think we can avoid a lot of "white elephants" and shattered hopes with projects that do not materialize the help that they were supposed to give to certain countries. This means that thorough planning for economic development is a must and a prerequisite for any economic assistance.

At the request of Dr. Rollin Atwood, from I.C.A., we are preparing in Puerto Rico one or more workshops on planning for economic development to be offered to Latin American technicians and leaders of economic development so as to stress the "facts of life" that must be well understood before developing an area or a country.

Another point that is of great significance for the development of the Latin American countries is the reference to military expenditures that Secretary Anderson made in his speech in Buenos Aires. I believe this is one of the most important pronouncements ever made by one of our spokesmen in any conference. Military expenditures is one of the great handicaps to the development of the Latin American countries. It takes such a large share of their budgets that unless they are pruned deep, these nations of limited income will never be able to develop themselves. If Puerto Rico ever had to spend a proportion of its income on military expenditures as the Latin American nations do, it would never have reached our present stage of development. The theme of less military expenditures, so that the income saved can be used for economic development is extremely sound and should be stressed consistently and vigorously by the United States at all levels.



Good publicity should also be developed around this idea, that I believe is essential not only for economic development but for democratic government in Latin America.

I would like to suggest that before the conferences are held there be meetings in the Department of State with participation of private parties. That is, before the position papers are prepared an opportunity should be given to those individuals that the Department feels could contribute to the formulation of policy. Whether these private participants later on form part of our delegations or not, they should be invited way ahead of time to advise on the formulation of United States policy in the different conferences.

Needless to say the Puerto Ricans are ready to serve in the United States-Latin American relations wherever we can be of most help. In these conferences our bilingualism as well as the fact that, as Governor Muñoz Marín has stated, "Puerto Rico is a true Latin American community composed of good American citizens," enhances our ability to serve as conciliators between the United States and the Latin American positions in these meetings. However, we wish we were consulted at an earlier stage than during actual conference meetings. The suggestion above mentioned of consultation before the position papers are prepared certainly should apply to those Puerto Ricans the Department feels should be invited to participate in United States-Latin American relations.

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