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Recommendations of the Commonwealth of Puerto Rico with regard to certain means of improving U.S. - Latin American relations

This paper does not pretend to add anything to the large volume of useful and penetrating material that has been produced on the economic problems of Latin America and its political and cultural attitudes. Its aim, rather, is to select some of the key elements which, in the eyes of the Commonwealth Government, condition the political relationships between the Latin American republics and the United States, and, in the light of these key elements, to suggest means by which U. S. - Latin American relations may be improved. It aims, moreover, to suggest ways in which the Commonwealth of Puerto Rico may be useful in this effort. Particular suggestions are made with respect to Guatemala.

General

Economic Status of Latin America

Any realistic approach to Latin America must take into account that there are important political and economic differences among the various Latin American republics. However, these will affect primarily the specifics of such lines of action as are undertaken. As a basis for the underlying principles of a policy toward Latin America, certain generalizations are possible.

First, it must be borne in mind that by contrast with the United States, the Latin American republics are all poor and underdeveloped. The whole of Latin America has a national income equivalent to roughly one-tenth that of the United States alone. Annual per capita income varies from less than \$100 per year in

Haiti and Ecuador to around \$500 a year in Venezuela, averaging little more than \$200 for Latin America as a whole. Compared with close to \$2,000 per capita per annum in the United States and considered in the light of the more uneven distribution in Latin America among income groups, the meaning in terms of relative living standards is obvious.

Second, as a result of the foregoing contrast, the aspirations of the Latin American republics are high. The development fever is strong, and to one degree or another, all of the governments of Latin America are actively trying to hasten the economic development of their respective countries.

Third, whatever the actual facts, the one transcendent bottleneck on the road to economic development in the minds of the governments of Latin America is capital. And whatever may be the potential sources of capital which could conceivably be tapped within each of the countries, the almost universal attitude is to expect a large share of the development capital to come, through one channel or another, from the "colossus of the North." There is widespread feeling, in fact, that Latin America had equal or better right to the same sorts of grants as the United States poured into Europe to aid European post-war reconstruction.

Relations with the United States

The importance of their economic relations with the United States varies from "substantial," for such countries as Argentina, to "crucial," for countries like Venezuela and Brazil. For Latin America as a whole, such matters as prosperity or depression in the United States, or effective U. S. foreign trade policy, or Export-Import Bank loan authority have more importance economically than many decisions that lie within the purview of domestic governments.

One out of every four or five dollars of Latin-American income is earned by exports, and something approaching half of all Latin-American exports are to the

United States.

Average annual fluctuations in key commodities exported by Latin America to the United States, according to a U. N. study, exceed, in terms of proceeds, 20 per cent. Proceeds from all Latin-American exports to the United States fluctuate an average of around 15 per cent. Fluctuations of as much as 50 per cent in proceeds from key commodities in a single year are not uncommon.

The United States has around \$7 billion invested in Latin America. About half a billion dollars is added yearly. \$5 billion would not be a bad estimate of new investment of all types made annually in Latin America; the United States, therefore, is providing about one investment dollar in ten.

The foregoing adds up to substantial Latin American dependence upon the United States. Particularly if multiplier effects are taken into account, it is easy to see how a drop in U. S. volume of imports from Latin America, or a drop in prices of Latin-American commodities, or a drop in the rate of net new investment by the United States might have serious current consequences.

Yet the fact is that U. S. imports from Latin-America and U. S. investment in Latin America have both been trending upward. When all the verbiage is stripped away, it appears that the principal bases for dissatisfaction with the United States on the part of informed Latin American opinion are:

- (1) Past history of U. S. activity in Latin America, with its overtones of economic colonialism;
- (2) Impatience with the rate of economic development, coupled with the belief that the United States should increase its capital contribution;
- (3) Fear that exports to the United States will go less well than they have been;
- (4) Inner conflict over the fact that greater aid from the United States may well mean greater dependence on the United States.

The reasons for dissatisfaction among uninformed groups are more numerous.

Experience of Puerto Rico

The Commonwealth of Puerto Rico also has a large stake in rapid economic development and, as the accompanying statistics show, has been attacking the problem with a considerable amount of success.

How much of this experience is of value for Latin America? The answer must be that its specific application as a program is slight. Puerto Rico earns not one-tenth, but one-half of its income through the sale of goods and services to continental United States. The stability provided for its principal export is available (in limited degree) to only one Latin-American republic. Its efforts to attract mainland capital are unhampered by any currency conversion problems, tariff barriers to sales of the prospective firms in the U. S. market, or conspicuous differences in law and customs.

Yet some of the specific lessons learned in Puerto Rico can be of value to Latin American countries and are worth transmitting. Notable among these are the lessons we have learned in technical know-how -- in education, in government administration, in health and nutrition, and in other such fields. Much of this same know-how is also available from mainland United States, but the advantages to Latin Americans in being able to obtain it from an area with similar original background, law, language, and customs is considerable. Even more important, perhaps, than technical know-how, are the lessons Puerto Rico can impart -- all the more convincingly since they come from a cognate people -- on the value from a development standpoint of honest government, equitable taxation, appropriate incentives to personal effort, and other such institutional supports to a modern, productive economy under a democratic system.

This is why we are relatively proud of our record in the Technical Cooperation Program. Since 1950, Puerto Rico has played host to over 1,300 technical-assistance scholarship holders and visitors. Of the 595 such trainees and visitors in fiscal year 1953-54, 275 were from Latin America. Training has been tailored to individual needs within such broad fields as agricultural development, cooperatives, education, fiscal management, hospital services, housing, hydroelectric and irrigation programs, industrial planning and development, labor relations, and the like.

What needs to be done

As we have pointed out above, the basis for Latin-American distrust and misunderstanding of the United States is largely a matter of past history, fears for the future, and an idea that the United States should somehow help them speed up the rate of progress. The keys to better relationships, therefore, would appear to be a better understanding on the part of Latin Americans of what has actually been happening, a larger measure of help by the United States in Latin American development, assurances of stability for Latin-American export income, and reassurances that increased dependence upon the United States does not carry with it increased subjection. Of all of these things, the most important is better mutual understanding. But the other objectives may also be pursued to good advantage and pursued in such way as to minimize misunderstanding.

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well* / *How?*

The kind of capital that carries the least misunderstanding in Latin America is that provided to carry out projects blueprinted and controlled (except for normal loan supervision) by the governments of the areas concerned. This means, for all practical purposes, capital provided by the Export-Import Bank and by the International Bank for Reconstruction and Development. The IBRD has the advantage that, while its primary dependence upon U. S. funds is well-known, it is an international agency and thus less tainted than the Exim Bank with the suspicion of being used by the United States for self-serving purposes. On the other hand, its large dependence for funds upon private capital markets restricts its lending activities to "bankable" projects with clear prospects of repayment. A sharp reversal of Eximbank policy and an increase in its lending authority is needed, to enable it to make a number of clearly developmental loans to Latin America, totally unrelated with promotion either of U. S. exports or of raw-material supply for the United States. The additional cost to the U. S. taxpayer (a cost only in

terms of the current ~~each~~ budget) would be amply compensated by the goodwill purchased. The policy departure must be clear, however, and the amounts large, or the funds, from a propaganda viewpoint, may be wasted.

U. S. lending policy (and technical assistance policy, too) can also be used in another, more subtle way. Intentionally or not, the United States has so distributed its financial and political support in Latin America in recent years as to make it appear that American policy was virtually incognizant of any other aim than fighting communism. This, despite the wide distribution of technical assistance. The recent events in Guatemala have served so sharply to accentuate this particular conception of American policy that only fairly dramatic and obvious actions can serve to undo the harm done.

It is extremely important, at the present juncture in U. S. - Latin American relations, to "accentuate the positive." Without withdrawing any support from the less democratic regimes and the projects of less immediate mass benefit, the United States needs to give larger and more obvious support to the more democratic regimes of Latin America (such as Mexico, Costa Rica, Uruguay) and more aid for such purposes as mass education, agricultural finance in the aftermath of land reforms, and the like. Positive demonstration of U. S. interest in the masses of Latin America not only is, in fact, one of the most effective of all weapons against communism, but because it develops better institutional foundations, one of the most potent weapons for economic development as well.

It is also of great importance for the United States not to give the impression of relying principally upon private investment to bring Latin America the outside capital assistance it is seeking. When it comes to basic, large-scale investment in electric power, in transportation, in education, private investment is neither capable of doing the job nor wanted by Latin American countries. In

truth, U. S. aid has been primarily devoted to such basic developments, but the aid has not been big enough, obvious enough, nor well enough advertised to serve as an effective earnest of U. S. intention.

This does not mean that the United States should not encourage increased private investment in Latin America. But if it is possible to do so, the greater encouragement should be given to U. S. capital that joins up with local capital in eventually locally-managed enterprises and to capital that engages in the production of finished and semi-finished goods rather than in the extraction of local raw materials or unprocessed foods for export. Above all, the greatest of caution is desirable in the backing of specific U. S. interests in their negotiations for division of spoils with local governments, since to such activity it is easy for local politicians to attach the stigma of "exploitation."

It also will help Latin America for the United States to increase the tempo of technical assistance. Relatively small expenditures in this field, if well selected and well directed, can produce tangible results of a kind that earn considerable goodwill. It is of extreme importance, however, that the projects engaged in are the ones that Latin Americans themselves feel a need for and that the experts chosen are real experts, who know how to guide and suggest, rather than ordain and preach, and who are flexible enough to perceive the necessary adaptations of goals and techniques dictated by local customs and conditions. It may also be all the more conducive to Latin American understanding if the United States renders certain types of technical assistance -- notably in the fields of government, law, planning, and sociology -- not directly, but through an inter-American body, whose technical corps includes not only "North Americans," but fellow-Latinos. It is also important that the technical assistance be directed not so much to particular current problems

and projects as to imparting to local people training and know-how that will enable them to carry on by themselves in the years to come.

We also feel that it is important for the United States to do something about the constant threat of commodity crises that hangs like a sword over Latin American economies. This is a primary source of insecurity, which drives the Latin American republics into a desire for economic independence from the United States and toward types of industrial development which are uneconomic and against their own long-range best interests.

We are not prepared to say what form this stabilization of U. S. commodity imports and commodity import prices should take. We feel that a fair trial has not yet been given to international commodity agreements. A firm ever-normal stockpiling policy for "strategic" minerals may help in some cases. Or the answer may lie in long-term Government or cooperatively-sponsored purchase contracts. Whatever method, however, we feel that commodity stabilization is not only the just due of raw-material producing countries, but in the United States' best interests in the long run.

Finally, too much stress cannot be laid upon the benefits of cultural and educational interchange. All programs that promote contacts between United States and Latin-American nationals and first-hand observation by each of what the other is doing have the highest possible value in promoting understanding and dissipating misunderstanding. All of the best-intentioned aid programs are virtually useless in promoting goodwill unless their existence is widely known and their intent correctly appreciated.

It should be added that much of the foregoing is identical with the analysis and recommendations made by Milton S. Eisenhower in his report to the President last November. The United States could do far worse than implement the recommendations of that report.

How Puerto Rico can help

Puerto Rico can do nothing about rendering large-scale financial aid to Latin American countries. But it can do a great deal toward rendering technical assistance and it can do a great deal toward promoting inter-American understanding.

The 2 Authors It is important, in this connection, to realize that Puerto Rico is closely identified in the Latin-American mind with the United States. The fact of Puerto Rican autonomy is widely doubted, and U. S. motives in Puerto Rico are regarded with suspicion. Even the fact of Puerto Rican economic development is questioned, more so the solidity of its basis and the extent to which it is derived from Puerto Rico's own efforts.

A cardinal step in promoting Latin-American understanding of the United States, therefore, is to promote Latin-American understanding of Puerto Rico. This can be done jointly with the rendering of aid that is technical and direct.

Three techniques for accomplishing the foregoing are of prime importance: (1) increasing Puerto Rican participation in international organizations and conferences, both diplomatic and technical; (2) increasing direct contact of prominent Puerto Ricans with prominent Latin Americans; and (3) increased technical training and interchange between Puerto Ricans and Latin-American nationals.

Puerto Rican participation in international groups may be made to serve a double purpose. In technical conferences and working groups, the presence of an independent Puerto Rican delegation, uninstructed by the United States and sometimes voicing conflicting opinions, is evidence of the autonomy that Latin-Americans are inclined to disbelieve. Even in diplomatic conferences, relatively free expression of Puerto Rican views, even if unaccompanied by a vote, provides impressive demonstration to Latin American republics of U. S. confidence in its policy toward this island.

Contact between prominent Puerto Ricans and prominent Latin Americans should take place both on Puerto Rican soil and in the Latin American countries. The ability of Puerto Ricans to converse with Latin American people as fellow Latins gives them powerful potential as ambassadors of good will. Likewise, their ability to appreciate Latin temperament gives them powerful potential as on-the-spot observers of what is or is not going well. Latin-Americans brought to Puerto Rico can see at first hand not only the physical accomplishments they are inclined to disbelieve, but more important, the ways of behavior, motivation, and conduct that are so important to economic accomplishment; moreover, they can be convinced that such ways are possible for Latins.

Technical and cultural interchange can be accomplished not only by bringing more Latin-Americans to Puerto Rico to see what we are doing, but sending more Puerto Ricans to Latin-American countries to see what they are doing. Neither Puerto Rico nor the United States, we should remember, has any monopoly on accomplishment. By recognizing the accomplishments of Latin America we can not only profit from those accomplishments directly, but lead Latin America into the greater respect for itself that will reverberate in greater respect for us.

We should particularly like to emphasize the importance of pure cultural and general educational interchange. We believe that the University of Puerto Rico and key universities in the United States and in Latin America can help in this process by becoming truly international centers, where students and teachers of many nationalities may mingle, learn from each other, and learn to respect each other. We believe that modest sums made available for scholarships, fellowships, and university chairs especially directed toward this interchange can earn very large returns. We believe this so strongly that we are ready to match dollar for dollar any sums that the United States may make available in a special program to bring Latin American students and teachers to the University of Puerto Rico and to send Puerto Rican

students and teachers to universities in Latin America.

We believe, finally, that the utmost encouragement must be given to existing inter-American organizations. The United States should not be remiss in fulfilling its obligations to such groups, either in money or in personnel.

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*- P.R.'s own policy regarding
its future.*