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REFLECTIONS ON UNITED STATES
AND LATIN AMERICA POLICY

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Western Hemisphere of the Senate Foreign
Relations Committee

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MARRIOTT TWIN BRIDGES MOTEL
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Hope, Francis Bacon once commented, makes a good breakfast but it is a lean supper. As Latin America enters the 70's, her governments tremble beneath the brusing tensions that separate hope from fulfillment.

The crucible in which this ferment simmers is a huge one -- four times the land area of the United States. Nature has given it a fierce face, for it's been written of South America that "the mountains are too high to scale, the rivers are too wide to bridge, the progress of agriculture is stopped by impassable forest and the harvests are destroyed by innumerable insects." Of its 276- million souls, half are under 20 years of age, and nearly one out of three will die before the age of 40. But still its population is multiplying faster than any other in the world.

"Here is a subcontinent," historian Arthur Schlesinger, Jr., observes, "where one eighth more people than the population of the United States subsist on less than one-eighth of our gross national product, where 5 percent of the people receive a third of the income and 70 percent live in object poverty. and where in country after country the political and social structures are organized to keep things that way..."

"There are, as German Arciniegas of Columbia pointed out in a famous observation, two Latin Americas: the visible and the invisible. Visible Latin America is the Latin America of Presidents, generals, embassies, newspapers, business houses, universities, cathedrals, estancias and haciendas. But in the shadows lies 'mute, repressed' Latin America, a 'vast reservoir of revolution... Nobody knows what these ... silent men and women think, feel, dream, or await in the depths of their being.' In recent years, invisible Latin America has begun to stir. Workers and campesinos want three meals a day and a modicum of human recognition and dignity. Indians want to enter the national life of their countries. Intellectuals and students want modernization. Whatever the particular goal, the inherited condition of life is becoming every day more insupportable for more people."

Much of Latin America entered the 20th Century with a condition of life inherited from 16th Century Spain and Portugal. This is a way of life which in many respects is incompatible with a modern, industrialized society. Latin countries are plunging headlong into the 21st Century with precious little time to make a transition that took generations in the United States and centuries in Western Europe.

Yet the imperative is clear. In countries whose per capita income presently ranges from \$80 to \$800 a year, only the fastest industrialization conceivable can possibly

produce enough food, shelter, clothing and employment to match the spiralling requirement of the swelling population. This multitude is growing at the rate of 3 percent a year; but production, on a per capita basis, is increasing at only half that rate. Inflation is endemic; foreign exchange is in short supply; export trade opportunities are restricted by barriers interposed by the already rich, developed nations; and overall net economic growth is falling chronically short of satisfactory levels. The sixties did not bring the much-heralded "Decade of Development" to Latin America. The euphoric expectation of bountiful blessings generated by the coming of the Alliance for Progress has receded, and widespread disillusionment has set in.

Still, economists know what is required within Latin America to move it into an era of adequate self-sustaining economic growth. There is general consensus on the necessity for far-reaching agrarian and fiscal reform, for increasing internal savings and enlarging internal markets, for regional economic integration, and for more favorable trading arrangements with the developed countries. Most of all, there is the need to bring into the national economic life the large numbers of Latin Americans, amounting in some countries to the greater part of the whole population, who are now, for all practical purposes, subsisting outside a money economy.

Obviously, if such profound internal changes can be accomplished at all, they can be brought about only by the

Latin Americans themselves. The impetus must come from within. Success or failure may be marginally influenced, but it cannot be bestowed from without -- neither by the United States nor any other foreign power.

It is also evident that the means adopted, the economic systems devised, the political forms, will likewise have to be homegrown. Neither the leisurely evolution of modern capitalism, as it matured in Northern Europe and the United States, nor the differing brands of Marxism, as practiced in Russia or China, offer models for Latin America that are really relevant to its cultural inheritance or its pressing needs. Even Cuban style communism has found a meager market in other Latin lands. Che Guevara's romantic excursion to spread Castroism to the mountains of Bolivia ended in fiasco and death. For Latin America, steeped in the Christian tradition and prizing the individual highly, communism has little appeal. Indeed, those in the forefront of the struggle for radical, even revolutionary, reform in Latin America today are more likely to be found wearing Roman collars than carrying red banners. They are the Priests, I believe, who have taken seriously Pope Paul's admonition: "To you belongs the job of replanting the Church in your continent."

So, as we peer into the 70's, we must anticipate turmoil and upheaval throughout Latin America, a decade of instability, insurrection and irreversible change. Each country will stake out and cultivate its own political

economic terrain. The spirit of nationalism will grow more fervent. Sensitivities will run high.

As for the United States, we would be well advised to practice an unaccustomed deference. The more gently we press our hemispheric neighbors, the greater our influence is likely to be. This will not be easy, for self-restraint is the hardest of all lessons for a great power to learn. Too tempting and seductive is the illusion of omnipotence. Every great power would prefer to believe -- and ascribe to itself -- the verity of the tribute once paid by Prince Metternich to imperial France: "When Paris sneezes, all of Europe catches cold."

In casting our own weight about the Western Hemisphere, the United States has shown typically little self-restraint. Between 1898 and 1924, we directly intervened no less than 21 times in the internal affairs of our smaller neighbors. And we have yet to kick the habit, as our abortive Bay-of-Pigs invasion of Cuba bears witness, not to speak of our military occupation of the Dominican Republic, as recently as 1965.

In addition to its direct interventions, the United States has deeply penetrated the economy of Latin America with an immense outlay of private investment. By 1967, American business interests had over \$10-billion invested in Latin countries, three-fifths of which was concentrated in minerals, petroleum and manufacturing industries. The extent and growth of these holdings has inevitably given rise to

cries of "Yankee Imperialism " We are charged with exploiting the natural wealth of Latin America to fuel our own industry; with selling more back than we buy; with repatriating larger profits from our business ventures in Latin America than we are willing to reinvest. In sum, the United States is portrayed by its detractors as holding the whole hemisphere in a kind of economic captivity.

Much of this resentment grows out of the glaring disparity in wealth and power between the United States and her neighbors. Regardless of the policies we adopt, however enlightened and beneficial they may be, the United States will long remain a natural target for criticism, misgiving, suspicion and distrust.

But the picture is not all that bleak. Millions of people in Latin America think well of the United States. Certain of our leaders have been greatly admired- - Franklin Roosevelt for his "Good Neighbor" policy, and John F. Kennedy for the way he bespoke the heartfelt aspirations of the dispossessed. No one can fault the sincerity of his purpose when President Kennedy launched the Alliance for Progress in March of 1961, inviting the 20 American Republics to join in a "vast cooperative effort, unparalleled in magnitude and nobility of purpose, to satisfy the basic needs of the American people for homes, work and land, health and schools." Since then, the United States has funneled nearly \$9 billion, in various forms of aid, into the countries of the South.

Given the magnitude of our effort during the 60's, we are left to wonder why it produced such disappointing results. We thought we were seeding the resurgence of democratic governments; instead, we have seen a relentless slide toward militarism. We thought we could remodel Latin societies, but the reforms we prescribed have eluded us. We thought our generosity would meet with gratitude; but we have seen antagonism toward us grow as our involvement in the problems of Latin America has deepened. We pledged ourselves to goals which lay beyond our capacity to confer, objectives that could never be the gift of any program of external aid; by promising more than we could deliver, we have made ourselves a plausible scapegoat for pent-up furies and frustrations within Latin America for which the United States bears little or no responsibility.

Worse still, the kind of aid we have extended, has tended to aggravate, rather than mitigate, these difficulties. Bilateral in character, administered on a government-to-government basis, the U.S. Foreign Aid Program is embroiled in the internal politics of both the donor and recipient countries. The very nature of the program makes this unavoidable, but the consequences are directly contributing to the steady deterioration in our relationship with the countries of Latin America.

First, let us consider what has happened to the Foreign Aid Program, due to the pressure of domestic politics within

the United States. What commenced, back in the days of the Marshall Plan for Western Europe, as principally a grant-in-aid undertaking, has been transformed by the outcry against "foreign giveaways" into what is now primarily a loan program. The accumulation of these loans, and others as well, by Latin American governments, is creating serious debt service problems. "Heavy borrowings by some Western Hemisphere countries to support development," notes the Rockefeller Report, "have reached the point where annual repayments of interest and amortization absorb a large share of foreign exchange earnings. Within five years, a number of other nations in the Western Hemisphere could face the same situation. Many of the countries are, in effect having to make new loans to get the foreign exchange to pay interest and amortization on old loans, and at higher interest rates.

"This debt service problem is a major concern. If countries get into a position where interest and amortization payments on foreign loans require a disproportionately large share of available foreign exchange, then the general pace of development will be slowed by the inability of maintain imports of the capital equipment needed to support economic growth."

Not only did the pressures of domestic politics within the United States change our aid to loans, but concern over our chronically adverse balance-of-payments led the Congress

to insist upon "tying" these loans to purchase of goods and services in the United States. Thus our "aid"- so called- became an ill-disguised subsidy for American exports. While it undeniably constitutes an addition to Latin American economic resources, it can only be used for purchases in the United States, or, under the new Presidential directive, within the Hemisphere, where prices are often above European or Japanese levels. Moreover, still another politically-motivated restriction requires that half of the good financed by the United States must be transported in American bottoms. It has been estimated that this provision alone reduces the effectiveness of each \$100 of U.S. loan assistance by as much as \$20, furnishing another irritant to developing countries.

But the worst political consequence of all has been the inability of Congress to resist the temptation to use the aid program as both carrot and stick to reward or punish recipient governments, depending upon how we may regard their behavior. Since 1961, the punitive sections of the Foreign Assistance Act have increased from 4 to 21, all of which are designed, in one way or another, to spank naughty nations.

Most notorious of these punitive provisions is the Hickenlooper Amendment. Although it has proved useless as a deterrent to the confiscation of American-owned businesses abroad, the amendment will remain embedded in the law. Few Congressmen would relish explaining to their constituents why

they voted to repeal a provision which prohibits giving further aid to a foreign government which has expropriated an American-owned business and failed to pay adequate compensation.

Yet the Hickenlooper Amendment is only the most prominent of a whole series of penalties written into our Foreign Assistance Act. There are, for instance, the amendments designed to enforce the American view of international fishing rights. Should one of our fishing boats be seized by a foreign government, say Ecuador or Peru, for fishing in what we regard as the high seas, but what they regard as territorial waters, and should a fine be imposed, our law provides that military sales and assistance to the offending country must be suspended, and that the amount of the fine must be subtracted from the economic aid we are furnishing the guilty government. This provision, I must confess, was solemnly adopted as an appropriate punishment that would put an end to any further meddling with American fishing boats. But, alas, it has not worked that way. We "tie" so many strings to our "aid" that some governments have preferred to take their money in fines!

The trouble with attaching penalties of this sort to the aid program is that, although they might give us some emotional satisfaction, they do not stop the behavior they are aimed against. What is worse, they provoke a series of diplomatic show-downs which corrode, weaken, and eventually destroy good relations.

Peru is a textbook case. The deterioration of our relations with Peru began in 1964, when the State Department, on its own initiative, started to drag its heels on extending aid to Peru as a tactic to force the Peruvian Government to settle the International Petroleum Company case. The tactic was not successful and resulted in some bitterness on the part of the Peruvian Government, which was then headed by Fernando Belaunde Terry, a man who otherwise qualified as a true Alliance for Progress President.

This bitterness was increased when we refused to sell the Peruvians F-5 aircraft. But then, when the Peruvians decided to buy Mirage aircraft from France, the State Department reversed itself and offered F 5's. At this point, Congress decreed that foreign aid should be withheld from countries buying sophisticated weapons abroad. The net result is that Peru now has mirages -- a plane which is aptly named for the contribution it makes to Peruvian security.

Finally, of course, a military government more radical than the reformist Belaunde came to power, promptly expropriated IPC, and has not only failed to pay compensation but has actually presented IPC with a bill of \$694-million for its alleged past transgressions. And through all of this, there has been the continuing wrangle over fishing boats.

This sketchy review is necessarily oversimplified. The story of U.S. Peruvian relations in the last five years

contains ample mistakes on both sides. The point I want to make here is that each successive stage in the deterioration has been provoked, in one way or another, by some aspect of the United States aid program.

Indeed, more than one U.S. Ambassador to Latin America has said privately that his difficulties with the government to which he was accredited stemmed directly from the aid program. One can scarcely imagine a more damning indictment.

In these disturbing ways, the pressures of domestic politics within the United States have distorted our foreign aid program, disrupted its effectiveness, and actually damaged our relations with certain Latin American countries. Now let us turn to a consideration of the political impact of a bilateral, government-to-government aid program upon the recipient countries, those on the receiving end.

The receiving governments, in Latin America as elsewhere, are naturally interested in putting the money into places of short-term advantage, where the political pay-off is greatest. Heavy emphasis falls on program loans, that is, lump sum transfers of capital for the purpose of supporting a given government's balance-of-payments. The process of administering such loans inevitably involves the United States in the most intimate areas of the other country's sovereignty, its tax policies and the management of its monetary system. All of this is done with the best of motives, but at an exorbitant political price. Our aid

technicians must sit as advisers and overseas at the highest levels in the foreign ministries concerned. Inescapably, this places us in a patronizing position, demeaning to the recipients. Meanwhile, the large colony of American aid administrators living in conspicuous luxury in every Latin capital cannot help but feed popular resentment against the United States. If a militant brand of nationalism directed against the Gringos is now on the rise in Latin America, it is just possible that our own policies, largely connected with AID, have given it the spur.

One is left to wonder how so cumbersome and self-defeating an AID program has lasted so long. Again, I suggest the answer can be found by examining the politics involved on Capitol Hill in Washington to secure the necessary number of sustaining votes. The analysis, I assure you, is a fascinating one.

Year after year, in order to get the needed votes in Congress, a package of contradictory arguments has been assembled. The package contains something for everyone, with the result that the life of the AID program has been prolonged by a hybrid coalition of both liberal and conservative members. Let us explore how this artful strategy has worked with respect to the two main categories of AID, military and economic assistance.

(1) Military Assistance. Conservative members of Congress have been wooed to support military assistance for

Latin American governments upon the ground that bolstering indigenous armies furnishes us with a shield against the spread of communism in the hemisphere, while rising military power within Latin countries is to be welcomed as a force for internal stability that is favorably disposed toward American interests. For the most part, these arguments are accepted as articles of faith, even though events discredit them. In Cuba, for example, it was demonstrated that once a regime has lost minimum essential support, no army will save it, Castro didn't walk over Batista's army; he walked through it -- despite all the military assistance we had given. In Peru and Bolivia, on the other hand, where the army seized the governments, the new military regimes galvanized public support behind them by grabbing local American interests. Each confiscated a major American-owned business, the Gulf Oil Corporation in Bolivia, the International Petroleum Company in Peru.

Liberal in Congress have been lured to support military assistance on quite different, though equally flimsy, arguments. They have been told that our subsidy brings us into close association with the military hierarchy in Latin America, thus enabling us to exert a tempering influence on the politically ambitious generals, while assuring ourselves of their friendship in case they should take over. Again, argument and fact are mismatched. The 60's were marked by an unprecedented shift toward military dictatorship in Latin America. Hardly more than half a dozen popularly-chosen democratic governments remain alive south of our borders.

Tempering influence indeed!

Furthermore, once a military junta has installed itself behind its American furnished tanks, guns and planes, there is no assurance that the United States will be benignly regarded. In fact, the new "Nasserist" regimes of Peru and Bolivia, among all governments of South America, are the most aggressively hostile toward the United States.

Meanwhile, the military missions we have installed in no less than 16 Latin capitals, add to the debilitating image of the United States as a militaristic nation. Even the Rockefeller Report, which gave its blessing to military assistance, looks with disfavor upon "our permanent military missions in residence," since they "too often have constituted too large and too visible a United States presence."

That puts it mildly. Listen to the testimony of Ralph Dungan, our former Ambassador to Chile, given before the Senate's Subcommittee on Western Hemisphere Affairs: "I believe there is not shaking the prevailing Latin conception of the United States as a society dominated to a very large measure by 'the Pentagon.' This perception is widely shared across the political spectrum." Mr. Dungan went on to say that "perhaps no single action which the United States has taken in recent years including the Bay-of-Pigs fiasco was no significant in confirming the view of Latin America of the United States as a nation willing and ready to use its

vast military power unilaterally...as the unfortunate invasion of the Dominican Republic."

So much, then, for our misguided military policies in Latin America, and for the contrived and contradictory arguments with which they have been perpetuated. Let us turn now to the other side of the American AID program, economic assistance.

(2) Economic Assistance. Here again, Congressional support has been secured on the basis of false and conflicting doctrines. Conservative votes have been solicited upon the theory that economic assistance can shore up the status quo in Latin America and thus prove an effective deterrent to communism. Oddly enough, this proposition is widely believed, even though the only country in the hemisphere which has gone communist had received the largest per capita investment of American capital.

Liberals in Congress, on the other hand, have accepted the need for economic assistance on the weakness of the opposite argument, namely, that far from preserving the status quo, our financial aid is meant to promote necessary economic and social change in Latin America. But, as our experience with the Alliance for Progress bears out, external aid does not produce internal change. Because the money has been channeled through existing governments, it has mainly been spent for the benefit of the governing elites. It has perhaps helped, in some instances, to modernize Latin economies, but not to restructure them. In short, the liberals also have been taken in!

The conclusion I must reach is that our AID program, as administered in Latin America, has proved to be -- on balance -- a net loss for the United States. As our meddling has increased, Latin resentment has grown. It lies at the root of an alarming deterioration in inter-American relations -- a deterioration which has led to the assassination of one of our Ambassadors, the kidnapping of another, the riotous receptions given Governor Rockefeller as President Nixon's personal emissary, and, indeed, the refusal of some countries even to receive him.

This doesn't mean that we should throw up our hands in despair, or in turn our backs on the hemisphere. What is necessary is that we get off the backs of our neighbors! We must learn to hold ourselves at arms length; we must come to terms with the inevitable, letting the changes take place without insisting upon managing or manipulating them. We must begin to show some self-restraint.

Here are some guidelines I would favor for a new U.S. policy toward Latin America in the 70's:

1) First of all, we should begin to adopt trade regulations that give the developing countries in Latin America a better break. We should listen closely to the growing Latin complaint on this score, and give the most serious consideration to their urgent appeals for preferential treatment. The political hurdles to such a course are high; the strongest Presidential leadership will be necessary; but for too long have we avoided biting this particular bullet with the palliative of the AID program.

2) Next, we must start to observe, as well as praise, the principle of non-intervention. It was San Martin, one of Latin America's legendary heroes, who said that we are as we act. If we are to act in accordance with the principle of non-intervention, we must not only accept Latin governments as they come henceforth, but we must refrain from the unilateral use of American military power within the hemisphere in any situation short of one involving a direct threat to the security of the United States and the safety of her people. Such was the case in our show-down with the Soviet Union when the Russians tried, in the Fall of 1962, to obtain a nuclear foothold in Cuba. But let there be no more military interventions, 1965 style, in the Dominican Republic or elsewhere.

3) We should bring home our military missions, end our grant-in-aid and training programs, and sever the intimate connections we have sought to form with the military establishments of Latin America. After all, the recent war between El Salvador and Honduras was

as possible, in large part, by our gift of arms and training programs eagerly extended to both sides. This is a messy business for the United States to mix in.

4) We should commence the liquidation of our bilateral government to government economic AID program, effecting at the same time corresponding shift of economic assistance to the World Bank, the Inter-American Development Bank, and other multilateral institutions, such a transfer could be cushioned by phasing out our bilateral program in the following manner:

(a) The United States naturally should fulfill those loan commitments already in the pipeline, but the money should be "untied" so that the recipient governments may put it to a more efficient use. This can be done by Presidential action which has thus far been limited to the freeing of only those markets within the hemisphere.

(b) The State Department should open negotiations for the rescheduling of debt repayment in those cases where the burden unduly restricts necessary economic growth. This, too, lies within the authority of the President, and accords with the recommendations contained in the Rockefeller Report.

(c) Financial assistance from the United States for public housing projects, schools, hospitals, family planning programs, and other social work in Latin America should, in the future, be funneled through the newly established Inter-American Social Development Institute. If this Institute is administered properly, it will emphasize the use of matching

grants instead of loans, and it will deal not directly with Latin governments but with private groups, unions, cooperatives and charitable foundations.

It should be staffed with personnel who are ready to try a wide variety of new experiments, who are willing to refrain from sending another horde of American directors into Latin countries, and who will approach their work in a way that gives to the Latin Americans a field of maximum initiative. In short, if the Institute is to succeed, it must be divorced entirely from the old ways of AID

(d) As for the remaining part of AID, technical assistance, it stays as much overrated in the United States as it stands discredited in Latin America. The present weakness of the program was perhaps best summed up in an excellent study by a Senate Government Operations Subcommittee on the American AID program in Chile. Speaking for the Committee, former Senator Gruening concluded that our technicians were "too far advanced technically... for what is required in underdeveloped countries. They are also too ignorant of local conditions and customs and serve periods too short to make a significant impact." This criticism is endemic to our technical assistance program throughout Latin America. I think we should seek to cure the defect by transferring

the administration of technical assistance in the future to the Peace Corps, where a meaningful linkage could be established out in the countryside, away from the cocktail circuit, between young technicians and the people they are meant to serve.

5) Another promising agency has been created by last year's Foreign Assistance Act, the Overseas Private Investment Corporation, more commonly known as OPIC. Its purpose is to encourage, through a liberalized program of investment guarantees, a larger flow of American private capital into developing countries. In Latin America, OPIC could play a useful role, if it encourages the right kind of investment, directing it away from the sensitive resource areas, and pointing it toward joint ventures in which Latin Americans will share largely in both ownership and management. Here again, everything depends upon the way OPIC is administered.

For whether it involves the public or private sector, it is essential to lower the silhouette of the United States in Latin America during the decade ahead. Our national interests can best be served, not by helping Latin America less, but by loosening our embrace. We should keep a decent distance away from the internal affairs of our Latin neighbors, from their military apparatus and their revolving door governments. This would be best for us and best for them.

It would also disengage the United States from its unseemly

courtship of governments which are a living contradiction to our traditional values as a nation. When we pour our money into budgetary support for a notoriously authoritarian government, when we supply it with riot guns, tear gas and mace, intelligent young Americans who still want to believe in our professed ideals begin to ask elemental questions

"If we are not against such dictatorships," they ask, "then what is it we are for in the world that really matters?"

In the final analysis, each country must live by the ideals it prizes most highly. That is the basis upon which governments turn to their people for loyalty and support. A crisis of spirit arises when our foreign policy comes unhinged from the historic values we hold dear as a people, and when the role of the United States in the world becomes inexplicable to its own young citizens. This is happening to us. Its occurrence is of more fundamental importance than any question of economic theory, investment policy or development tactics.

Devising the right role for the United States in its own hemisphere and the world at large, a role consistent with the admirable ideals of its origins as a nation, would go far toward restoring the United States to the unique position it once held in the community of man.