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JOINT COMMITTEE PRINT

ECONOMIC POLICIES AND PROGRAMS IN
MIDDLE AMERICA

A REPORT

TO THE

SUBCOMMITTEE ON INTER-AMERICAN
ECONOMIC RELATIONSHIPS

OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

BY

Representative MARTHA W. GRIFFITHS



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LETTERS OF TRANSMITTAL

JANUARY 22, 1963.

To the Members of the Joint Economic Committee:

Transmitted herewith for the use of the Joint Economic Committee and other Members of Congress is a report of the comments and observations submitted to the Subcommittee on Inter-American Economic Relationships by Representative Martha W. Griffiths, who, as a member of the subcommittee, visited Central America, Panama, the Canal Zone, and Mexico in December 1962 under the full committee's directive for the 87th Congress.

Sincerely yours,

PAUL H. DOUGLAS,
Chairman, Joint Economic Committee.

JANUARY 19, 1963.

Senator PAUL H. DOUGLAS,
*Chairman, Joint Economic Committee,
U.S. Congress, Washington, D.C.*

DEAR MR. CHAIRMAN: Herewith are summary comments and observations submitted to the Subcommittee on Inter-American Economic Relationships by Representative Martha W. Griffiths based upon her recent visit to Central America, Panama, the Canal Zone, and Mexico. Our subcommittee, which visited South America in the fall of 1961, was unanimously of the view that Middle America was a neglected area deserving of more direct study. Mrs. Griffiths, as a member of the subcommittee, held numerous conferences with embassy and local officials in previously unvisited countries, including the Canal Zone and five cities in four countries, during the 10 business days ended December 22, 1962.

Although her study is primarily a continuation of studies begun under the full committee's directive for the 87th Congress, I think Representative Griffiths' report on an inquiry ending just at the conclusion of that Congress eminently worth while printing for the use of the full committee and others who may be interested.

Representative Griffiths was accompanied and assisted in her intensive survey by Ann Cooper Penning of her office and William H. Moore of the Joint Economic Committee staff.

Sincerely yours,

JOHN SPARKMAN,
*Chairman, Subcommittee on
Inter-American Economic Relationships.*

JANUARY 15, 1962.

Hon. JOHN SPARKMAN,
*Chairman, Subcommittee on Inter-American Economic Relationships,
U.S. Congress, Washington, D.C.*

DEAR MR. CHAIRMAN: You will recall that all of us who have participated in the Joint Economic Committee's inquiries into Latin American economic relationships have been uniformly impressed with the extreme importance and urgency of a deeper understanding and appreciation in the United States of this part of the world.

Herewith are brief comments based upon my recent visit to Panama, Central America, and Mexico, an area which our subcommittee was unable to include in our visit to South America in the fall of 1961, but which we were unanimously agreed deserved special study.

It would not have been possible to have gained even these modest impressions in such a short visit had not the several embassy staffs given so freely of their own knowledge, understanding, and time. The sincerity, frankness, and perception of local and area problems demonstrated by the Cabinet ministers and the local government officials with whom we talked give one a faith and confidence that the problems of Latin American development are on the way to a solution. Our sincere thanks to each of these persons is accompanied by recognition that they are in no way responsible if we have misread the evidence which they so graciously gave.

Sincerely yours,

MARTHA W. GRIFFITHS,
Representative From Michigan.

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ECONOMIC POLICIES AND PROGRAMS IN MIDDLE AMERICA

INTRODUCTION

The tremendous significance which the Latin American economies have upon the stability and growth of the U.S. domestic economy make it imperative that we thoroughly understand and constantly reappraise the progress and impact of the social reforms and economic developmental programs being undertaken in that part of the world. Our natural concern with these hemispheric relationships is reinforced in today's divided world by the significance which Latin American economic and social development has to world trade and international political developments.

In recognition of this, the Subcommittee on Inter-American Economic Relationships of the Joint Economic Committee, under the general directive of the full committee, has heretofore conducted "on-the-spot" inquiries in six South American countries and reported its impressions and conclusions. Other hearings, held in Washington, D.C., have considered the views of specialists in Latin American agriculture, taxation, and labor, together with representatives of firms with long Latin American investment and business experience. The record and reports of these studies have been previously made available to the Congress, interested executive agencies and the public.¹

In our first report (January 1962) the subcommittee, commenting on time limitations and the problems of efficient scheduling of international air flights, expressed the conviction that further on-the-ground discussions would be desirable not only in South America but elsewhere in Latin America. In keeping with this intent the studies have been continued by Representative Martha W. Griffiths, accompanied by staff assistants, through further discussions and observations in the previously unvisited Central American area.

In a traditional and political sense, Central America comprises the five sister Republics lying between Panama and Mexico. Visits were made to two of these, Costa Rica and Guatemala, as well as Panama, the Canal Zone, and Mexico. Extensive inquiry and study were given also to the problems and role of the other three countries, El Salvador, Honduras, and Nicaragua. The conferences in middle America again point up the great diversity of economic and social conditions which exist among the Latin Republics themselves and even among regions within a given country, which was commented on in our earlier report.

¹ "Economic Policies and Programs in South America," report of the Subcommittee on Inter-American Economic Relationships to the Joint Economic Committee January 1962; hearings, "Economic Developments in South America," May 10 and 11, 1962; and "Economic Developments in South America," report of the subcommittee, July 1962.

The added study has nevertheless tended to substantiate and strengthen much of our previous general analysis and conclusions. It is, however, not necessary to repeat in detail here the observations or conclusions of those earlier reports. The comments on middle America which follow, although they continue to be largely applicable, based as they are upon a short, although intensive stay in areas previously unvisited by the subcommittee, are necessarily somewhat impressionistic and personal. They are offered, however, as supplemental to the subcommittee's previous studies in the belief that even individual, random impressions, properly evaluated, may add something to a better understanding of Latin American needs, hopes, and problems.

I. THE IMPORTANCE OF THE MIDDLE AMERICA REGION

The general neglect and lack of appreciation in the United States of the remarkable area between Mexico and South America is doubtless due in large part to the relative smallness, individually, of the six countries involved, together with their one-time reputation for political instability. The course of recent history and vigorous integration movements now in progress should radically change this evaluation. Any lack of understanding or appreciation is nevertheless most unfortunate considering (a) their nearness, (b) their strategic geographical position, and (c) the ever-strong inclination of their leaders and peoples, in spite of some neighborly frictions, to support the U.S. position in the United Nations and the Organization of American States proceedings.

Excluding Mexico, "the colossus" to their north, the six small countries of Central America have an estimated gross national product 13 times larger than that of Bolivia or Paraguay, larger than that of Peru and neighboring Ecuador combined, and more than twice that of energetic Uruguay. Including Mexico, estimated gross national product of the area is larger than that of Brazil, more than three times that of Colombia, and equal to that of the Caribbean countries of Colombia, Venezuela, British West Indies, Haiti, and the Dominican Republic combined. (For selected regional statistics, see table 1.) As to average annual rates of growth in gross national product, 1950-61, each of 7 countries in the middle area topped the average of the 20 Latin American Republics. Because of the rapidly expanding population, the record of per capita increase is not quite so outstanding, although even on a per capita basis the annual rate of gross national product increase in 2 of the countries, Nicaragua and Panama, substantially exceeded that of the 20 Latin republics, including such relatively advanced countries as Chile, Colombia, and Peru. Although starting, and remaining, primarily agricultural countries, in the Middle American countries individually and collectively, the rate of increase in 1961 agricultural production over 1950 has materially exceeded that of Latin America as a whole, including again such relatively sophisticated economies as Argentina, Brazil, Chile, Uruguay, and Venezuela.

TABLE 1.—Selected economic data—Central America, Panama, and Mexico, 1960-61

Country	Population, 1961 (millions)	Area (1,000 square miles)	Gross national product, 1960 ¹				Electric power (kilowatt- hours) per capita per year	Agricul- tural pro- duction, 1961, as percent of 1950 ²	Leading export	
			In millions U.S. dollars	Per capita dollars	Annual rate of growth 1950-61				Item	Percent 1958-60 exports
					Total ³	Per capita ³				
Costa Rica.....	1.2	20	402	343						
El Salvador.....	2.7	8	490	188	5.4	1.4	350	178	Coffee..... 53	
Guatemala.....	3.9	42	679	180	(³)	(³)	115	191	do..... 67	
Honduras.....	2.0	43	384	197	4.4	1.4	98	175	do..... 69	
Nicaragua.....	1.5	57	310	210	4.8	1.6	54	143	Bananas..... 49	
					5.9	2.4	125	313	Cotton..... 37	
Total, Common Market countries..	11.3	170	2,265							
Panama.....	1.1	29	418	396	5.4	2.5	247	200	Bananas..... 66	
Mexico.....	35.7	760	10,750	310	4.9	1.8	310	179	Cotton and coffee... 34	
Total, regional.....	48.1	959	13,433							
Total, 20 Latin American Republics..	204.1	7,754	58,842	295	4.1	1.6	330	192		
								144		

¹ Unadjusted for inequalities in purchasing power among countries.

² Statistics and Reports Division, AID; "Latin America Trends in Production, 1950-61."

³ Not available.

Source: "Selected Economic Data for the Less Developed Countries," March 1962, and "Latin America Trends in Production, 1950-61," July 1962.

The risk of underestimating the importance of the region which arises from the segmenting and relative smallness of the individual political units in this once united (except Panama) area is further illustrated in the production statistics. Basic export quotas of coffee, for example, assigned to Middle America under the new 5-year coffee agreement, are equal to that of Colombia, the world's second largest coffee producer, making the area No. 3 in the world. The deception inherent in atomizing of national statistics is even more notable in the case of bananas. The four banana-producing countries of Honduras, Panama, Guatemala and Costa Rica, with a combined area only a trifle larger than Ecuador, in 1960 exported 15 percent more stems (50-pound basis) than did Ecuador, the world's largest shipper, and well over twice that of all Africa.

It is really misleading and beside the point to disparage the role of these small countries, as did a representative of one of the lending agencies, by noting that in wealth, resources and public budgets they are surpassed individually and, except for Mexico, as a group by many United States counties and municipalities. It is only right and fair to note that they are sovereign, proud, independent, liberty-defending nations who, until very recently, have depended for their developmental assistance upon so-called "hard" bankable loans. They have made themselves noteworthy among the world of developing countries (and by contrast with some of the more mature nations) by eschewing inflation and maintaining hard convertible currencies even at the cost of their own rate of development. This has not been easy in the face of a 30 to 40 percent price decline in coffee, their principal source of external income.

Even a poor country, faced, as all nations and peoples are, with the temptations of the easy paths, deserves credit and applause when the report by the Organization of American States on the first year of the Alliance for Progress can say of them:

Some countries have not undergone any special inflationary pressure in the last 5 years and, as a result, their monetary and fiscal policy has not required any special adaptation. The Central American countries fall into this category * * *.

This is in contrast to an immediately preceding paragraph of that report which reads:

In 1961, weakness in the external sector and internal institutional and structural rigidity continued to dominate monetary and fiscal developments in many countries. The cost of living rose 19 percent in Argentina, 44 percent in Brazil, 10 percent in Chile and Uruguay, 7 percent in Bolivia, and 5 percent in Colombia. There was less change in the other countries and in some the cost of living dropped. These trends were not modified significantly in the first quarter of 1962.

II. REGIONAL NEARNESS DOES NOT RULE OUT LOCAL DIFFERENCES

The five republics which until 1821 under Spain made up the Captaincy-general of Guatemala, and from 1823 to 1839 made up the United Provinces of Central America, are, for good cause, historically and geographically, often treated as a unit. They, nevertheless, have a considerable diversity of economic and social conditions just as do the several States and areas of the United States.

Thus far our comments have emphasized the area as a unit—or as a unit plus Mexico—to the neglect of these individual political and cultural differences. It has not seemed practicable on the basis of our short visit, nor in keeping with current Central American inte-

gration trends, to do otherwise. Beyond a quick rundown of some random observations as a reminder of these traditional and characteristic national differences, we shall not (except for special points involving Panama and Mexico, respectively) report in detail on the separate countries.

(a) Costa Rica, with a population 92 percent white and 88 percent literate, long ago abolished its army by amendment to the Constitution. One astute observer contrasted this with a common Latin American pattern wherein the army abolishes the constitution instead. The reputation that Costa Rica has earned as a bastion of political democracy in an area which has suffered from recurrent political upheavals is testimony—(1) of the gains of high literacy and, (2) with one out of every five citizens owning real estate, of the strength inherent in the widespread ownership of land.

It was a heart-warming experience to be present in Hatillo, suburban San Jose, at a Sunday morning formal dedication ceremony at which 163 families were presented with the papers representing ownership—and an accompanying mortgage—on low- and modest-cost homes. This recognition of this beginning of a project, financed by INVU (national housing agency) in part by private U.S. capital and with technical assistance from a Miami savings and loan institution, was epochal enough for President Orlich of the Republic of Costa Rica, members of the American Embassy staff, and other distinguished guests to participate. President Orlich arrived and departed at this affair, surrounded not by an armed guard but by the children of the owners. There is no doubt but that the pride of ownership and the opportunity to accumulate an equity as the home loans are amortized will be followed by an expanded desire and demand for some of the other comforts available to the worker in the United States—washing machines, refrigerators, water heaters, not to mention such unifying and perspective expanding things as radio and television.

(b) In Guatemala, noteworthy among other things is the large proportion of Indian population—60 percent out of a total population of 3 million—living in a largely self-imposed isolation substantially outside of and untouched by the money economy, speaking some two dozen tongues (but not Spanish), many of them mutually unintelligible. A visit to Chichicastenango, some 100 miles from the capital city cannot fail to emphasize the depth of the integration problem which the Indian population present here, as well as in Peru and Bolivia.

As used in Guatemala and Latin America generally, the term "Indian" is a cultural or "outlook-on-life" concept, rather than an ethnic matter of origin, color, shape of the cheekbone, or the like. It is perhaps not very scientific, but neither is it entirely question-begging to say that "an Indian" is anyone that is not a "ladino" in Guatemala or a "mestizo" in other parts of Latin America. The "ladino" may be rich, poor or very poor, literate or illiterate, rural or urban, but as with the Indian, the characteristics which set him apart from an Indian is something which people of both groups themselves understand without trying to explain or dispute. As an outward evidence of this class difference, clothes, language or the vestiges of pagan rituals mixed with Catholicism are perhaps the most telling characteristics. But a census based on even these is not necessarily the last word in classification. (Any distinction based on literacy,

incidentally, comes to take on a new significance for us when we unthinkingly apply it to a people who are "illiterate" because they have no heritage of literature, no books or newspapers to read, or a written language.)

This does not mean that the Indian population is without the means of communication and reporting. They do have the crowded, jostling, and vocal marketplace, to say nothing of frequent festivals, if anything, even more pressing and noisy. The women have, moreover, the added social life of the counterpart to our suburban laundry-mat in the neighborhood facilities of brick "stand-up and stoop-over" wash tubs near a reasonably clean, if far short of pure, water supply.

From appearances in a passing contact with the Indians in the highlands, one might suppose that a great part of man's life is spent trudging a trail or roadway, carrying a backbreaking load of firewood, or earthenware jars, and of woman's, plodding uphill with a baby on her back and a basket of produce balanced on her head. These people are not to be thought of, however, as indigent or without their own capabilities. A recent article by Lorand D. Schweng in "The World Today," September 1961, published by the Royal Institute of International Affairs, has these deserved words to say of the Indian skills and imagination:

* * * One can decrie their implements and methods but no trained non-Indian agriculturist has tried to make a living out of an Indian farm. In his view so small a plot of land would not make an economic unit, such steep slopes ought not to be cultivated at all, the land would be too poor for farming, and nothing could profitably be grown on it. The Indian craftsmen may not use the potter's wheel, their looms may be crude. But the pottery they make is often very beautiful and the fabrics have exquisite design and are a riot of colours * * *.

The special challenge of the Indian problem in connection with the social and economic reforms now being undertaken in Latin America, especially in Guatemala, Peru, Bolivia, and Ecuador, is that the Indian population constitutes such a sizable and solid block, so far behind, or at least so far off, the cultural and economic pattern of their surrounding neighbors. The task of progress in dealing with the non-Indian segment is itself so formidable that one almost despairs at having to diffuse efforts with a view to overcoming this cultural lag of the Indian. Almost before one gets started on any program of help, the social and political experts confronted with the place of the Indian in a better Latin America must decide whether our hopes and programs should seek to assimilate or integrate the Indian into the surrounding society and economy, expecting that they will leave behind their old ways. The alternative seems to be to accept the continued existence of a traditional pattern of "separateness" or of a "society within a society." In the short run the choice is perhaps somewhat easier. The need to raise the level of living both within and without the group is so apparent that any rural social services, agricultural education, resettlement or efforts to break down the attitudes which treat Indians as "second-class citizens," are enough to keep us occupied for some years.

(c) Nicaragua presents a striking example of dynamic development in operation. In the not-too-distant past, gold was the export of highest value. Although from colonial times an agricultural country, Nicaragua embarked in 1950 on a vigorous program of agricultural expansion. Evidences of the vigor of the program, beside the tripling of production, are increased budgets for agriculture, improved credit

facilities for farmers, expansion of roads into remote areas, and advances in insect control, including the National Development Institute's fleet of small planes which regularly dust fields with insecticide. As to results, cotton exports which in 1948 were nil, by 1958 exceeded in value even traditional coffee. Including cottonseed, cotton products that year accounted for 55 percent of the value of agricultural exports. Sesame seed, first exported little over 20 years ago in 1939, for a few years was the country's second agricultural export until displaced by cotton still earns well over 2 million U.S. dollars in foreign exchange for the country.

(d) El Salvador is the smallest country in Latin America and indeed one of the world's smallest outside of modern Africa. Roughly the size of Massachusetts, reportedly 90 percent of its area of volcanic origin (in the past 40 years there have been 4 very destructive earthquakes), almost all of the usable land is under cultivation, and has a well-groomed and cared-for look. El Salvador ranks fourth in world coffee production, surpassed only by the much larger countries of Brazil, Colombia, and Mexico. Population pressure is, nevertheless, a particularly serious problem, with barely an acre of farmland per capita, and a large proportion of the total land area already under cultivation.

(e) Honduras, the most mountainous of all Central America, suffers even more than its neighbors from a deficiency in transportation and communications. Except for horse and mule trails, there are no roads in the entire eastern half of the country. Railroads, although available for hauling some commercial freight, are almost entirely within the north-coast banana area. Even the incomplete Inter-America Highway is far from the economic center of the country and the capital city. Under the plan for economic development it is not surprising, therefore, that 40 percent of planned expenditures are for roads. About half of the land is covered by forests much of it potentially commercial, suggesting pulp, paper, and plywood as developmental possibilities.

The country which once suffered economically from the decline in the American housewife's taste for mahogany furniture has recently had to put up with inroads of banana disease, hurricane damage, and increased foreign competition in its banana production. Beginning in 1960 the Standard Fruit & Steamship Co. pioneered shipping bananas in boxes with the added cost partially offset by reduced shipping space and the cost of removing the bananas from the stem, washing and preparing them for sale done by Honduran labor rather than higher cost U.S. labor. The United Fruit Co. which has been quite successful in several other countries in a program of leasing plantations to supervisory employees is holding such plans—as well as further plantings and development of disease-resistant varieties—in abeyance in Honduras until the expropriatory clauses in the new land-reform law are clarified or amended.

Tegucigalpa, the capital where as a matter of law every roof is of red tile, has recently been chosen as the seat of the newly established Central American Bank for Economic Integration. The main function of the bank will be to help finance economic growth on a regional basis. Although it was only in July 1962 that all five countries had completed the necessary instruments establishing the bank, it has already authorized credits to finance regional plants for producing metal tubing and insulated wire and processing of meats.

III. THE REPUBLIC OF PANAMA AND THE CANAL ZONE

As a 50-year-old preelectronic transportation facility the Panama Canal appears to be an engineering phenomenon, efficient and well maintained, of which Americans can be quite proud. As a 60-year-old operation in diplomacy, relations with the Republic of Panama are less certain. The doubling of oceangoing commercial ship transits in the past decade (an average of over 30 per day in 1961) has taken place against a world of increasing political tensions from which Panama-United States relations have not been spared.

Opened in 1914 at a net construction cost of \$380 million (equivalent to some \$2 billion in 1962 dollars), we are told that projections of traffic expectations indicate that the present canal may soon be outgrown. A number of short-range improvement projects—widening and deepening sections of the narrow Gaillard cut, installing modern lighting to facilitate night transits and construction of dams to increase the storage of fresh water (used—that is to say, lost—52 million gallons in each transit, since the operation is entirely gravity rather than pump operated)—are already underway to increase the canal's capacity for another 10 to 15 years. Beyond that, the Republic of Panama, the United States and world shipping interests must face formidable engineering and diplomatic problems of either deepening the present site to sea level or reallocating a sea level ditch elsewhere in the isthmus area.

The present canal was built and is operated in a 10-mile strip of territory granted in perpetuity to the United States by the Republic of Panama in 1903 after Panama proclaimed its own independence from Colombia, which had rejected a treaty enabling the United States to build an isthmian canal.

But "perpetuity" is a long time, even between sovereign nations. Repeated diplomatic conversations have accordingly been needed and, because of the concern of the United States for an economically strong and politically stable Government of Panama, the United States has from time to time made unilateral concessions to the Government of Panama through a reinterpretation of existing treaties.

The Alliance and rising aspirations of underdeveloped countries throughout the world have however made Panamanians impatient with their own rate of development during the past 50 years. Rightly or wrongly they are inclined to hold the United States in its Canal Zone policies responsible for this lag. The closeness in space of the two standards of living has sharpened the contrast and hence the unrest.

Discriminatory wage scales for the same class of work are, for example, indefensible and "bad business" anywhere. They are certainly no more defensible when international relations, as between the U.S. Government and the people of the Republic of Panama, are involved. When a woman operating a market stall mumbles or grumbles to visitors from the United States that "the Company does not treat our Panamanian men right," one may be inclined to dismiss it as a personal problem. After hearing the complaint several times, one must suspect, however, that the United States in the administration of the Canal Zone is at least partly at fault in having laid the groundwork for such discontent. As a matter of fact, a major part of the responsibility goes back to the Congress itself in having provided in the Federal wage and hour law an exemption by which the law does

not apply to Government employees, which in this elbow-to-elbow situation includes employees hired by the Panama Canal Company.

The President in a memorandum to the heads of departments and agencies dated June 22, 1961, sought to soften the edge of the discrimination which grows out of this exemption, advising the heads of each department and agency that it was his wish, and belief, that social and economic reasons dictate that the new minimum rates be applied to Federal employees unless circumstances clearly prevented an agency from doing so.

An interpretative bulletin entitled "The Federal Wage and Hour Law Applies to Workers in the Canal Zone" by the Department of Labor in November 1962, while quite proper in itself, tends to sharpen the discrimination which remains by emphasizing that the Canal Zone is an instrumentality of commerce and that employees performing work there under contract or for private contractors in construction and maintenance work in the Canal Zone are covered by the minimum wage requirement.

While we understand that steps are being taken to eliminate or reduce the existing differentials between Panamanians and U.S. citizens and between contract workers and direct Company workers, it is understandable that ill will has arisen where, as a matter of practice, a common laborer who works for "the Company" may be paid about half the hourly rate paid for a similar task on a nearby commercial operation, or at a nearby military base, where the minimum wage provisions of law are observed pursuant to the President's memorandum.

Residents of the Canal Zone—which 50 years ago undoubtedly had some of the earmarks of a hardship frontier post—now have the status compensation inherent in an American level of living well above the immediately surrounding Panamanians (who, of course, are also sensitive to the difference), as well as the benefits of commissary and health facilities and security. Some of the benefits enjoyed by residents of the Canal Zone have implications beyond personal reactions to the discrimination. A tax-free zone bisecting a country as does the Canal Zone seriously drains its tax potential. Finance and Treasury Minister Arias points out, for example, the clear and simple case of cigarettes. Sold free of state taxes in zone "PX's" at 12 cents make more than a 4-cent Panamanian tax impracticable and unfruitful, since there is no possibility of customs inspection on goods coming out of the Canal Zone. The result of discontent arising from these varied sources has been manifest in the flag incident which incidentally has now been settled with the agreement that the Panamanian flag will be flown together with the flag of the United States of America on land in the Canal Zone in some 16 to 20 locations where the flag of the United States is flown by civilian authorities. The discontent is evident also in tendency to fan even minor and quite negotiable local differences into issues of diplomatic and international significance.

We have every confidence that the ranking U.S. officials are working hard at improving these relationships. We are less sure that the American people themselves are aware of the changes and new forces at work in an area where we have had a responsible international role for 60 years. If, during much of this time of U.S. interposition in Panama the Governor of the Canal Zone has been a larger local figure than the U.S. Ambassador to the Republic of Panama, the promise of

the Alliance to all Latin America and the local frictions suggest for the future more emphasis on diplomacy and government-to-government relationships.

The report presented by the Government of Panama to the Inter-American Economic and Social Council First Annual meeting at the ministerial level (Mexico, D.F., October 22, 1962) after commenting on the problem of unemployment and the desirability of even greater foreign investment, remarks on what it calls "the Canal Zone crisis" as follows:

Another serious obstacle to economic development is the failure to make effective use of the country's geographical position. The major impediment in this respect is the present contractual relations between Panama and the United States with regard to the canal. These relations impede individuals and private enterprises from carrying on trade and industry in the area in which a concentration of transportation and communications facilities offers the greatest relative advantages. Without use of the facilities of the Zone, Panama cannot offer port facilities to deep-draught vessels or industrial sites near them; it cannot negotiate low freight rates; it cannot, in short, take advantage of its geographical position.

Panama, not unlike many other one-commodity countries, is nevertheless seeking the means to diversification and development in the greater exploitation of that limited export. The difference is that Panama's primary export, unlike most of Latin America, is not coffee, copper, tin, or bananas, but commerce and the fruits of its strategic geographical isthmian position.

The direct contribution, which, of course, does not include the vast trade brought by the thousands of ships which traverse the canal each year, of the U.S. Canal Zone to the Panamanian economy is:

	<i>Millions</i>
Net wages of Panamanians (1962 estimated).....	\$40. 0
Purchases of goods and services in Panama 1961.....	37. 6
Retirement pensions to Panamanians.....	1. 8
Panama Canal annuity.....	1. 9
Total.....	81. 3

This "export" compares with other sources of external income:

	<i>Millions</i>
Bananas.....	\$20. 0
Shrimp.....	6. 0
All other.....	5. 0
Total merchandise exports.....	31. 0

The relative importance of the Canal Zone income to the Republic of Panama is further suggested by that country's national budget of \$70 million in 1962 and an estimated \$75 million in 1963.

The greatest need, then, is for the country to diversify away from this overdependence on the Canal Zone. The country can no longer depend, as in the past, on the Canal Zone to sustain its developmental aspirations. Although its agricultural capabilities are high, the Republic of Panama imports a large percentage of its foodstuff. With the urging and help of AID and preceding assistance programs, progress has been made toward virtual self-sufficiency today in rice, sugar, coffee, and beef.

Another encouraging development has been the rise of the Colon free zone which began operation in 1953. Here more than 200 com-

panies warehouse, repackage, label, and ship out an estimated \$100 million of merchandise trade this year. Operations have increased nearly 15 times since the free zone was opened. The free zone which, incidentally, functions as an autonomous agency of the Republic of Panama, permits manufacturers from all over the world, and especially those of the United States, to maintain inventories in free zone warehouses which can be drawn upon for transshipment to Latin America in a matter of hours, as is demonstrated by the outward shipment of a whopping 53 percent of the dollar value by air.

One further point of interest about the Panamanian economy involves its currency and credit system. The monetary unit, the "balboa" equal in value to one U.S. dollar, is coined of silver and circulated, along with subsidiary coins. There are however, no balboa notes or local paper currency. Instead, the country depends upon the free circulation of U.S. paper money. The effect, as the Panamanian Minister of Finance, half smilingly and half seriously, pointed out, is that while many nations around the world borrow from the United States, the Republic of Panama is lending some \$15 to \$20 million to the United States in exchange for its non-interest-bearing certificates of indebtedness. The situation has come about partly to avoid the costs of maintaining an engraved currency and partly because the Republic of Panama does not have a currency issuing central monetary authority.

The lack of a conventional central bank has its advantages and its disadvantages. One disadvantage is that Panama is thereby denied the benefits of a managed currency in maintaining domestic economic stability and growth. Its money supply is thus subject to factors which the local government can neither control nor offset. Some financial experts warn, too, that the country's developmental program may be choked off in the near future unless an expanding money supply is assured by creation of a national reserve system.

The advantages of the present system, while denying the country the benefits of a managed currency, at the same time avoids some of the hazards. Because of the ready and assured convertibility of the "balboa" in and out of U.S. dollars and, since Panama thus does not even possess the machinery for an "engine of inflation," the country has been able to attract and hold large foreign deposits while many of its sister Latin American Republics are plagued by a flight of capital. Despite artificially low interest rates of 2½ or 3 percent on savings deposits, Panamanian banks in mid-1962 held more than \$31 million of foreign funds. What is even more important, more than \$78 million have been retained in the country by residents.

Since U.S. interests are deeply involved in Panama, more even, than in the Alliance for Progress countries generally, the United States should watch developments there in the monetary and credit fields with special interest. We should, moreover, be prepared to help supply the banking facilities and best monetary understanding so that Panamanian development and growth will not be hindered by the continued use of U.S. paper currency even though, quite understandably, local nationalistic demands sometimes urge that to be the case.

IV. THE MEXICAN CONSTITUTIONAL AMENDMENT REQUIRING
PROFIT SHARING

Requirements for the compulsory sharing of profits with labor were recently made a part of the Mexican Labor Code, article 123 of the Constitution. Profit-sharing programs are scheduled to go into effect as of January 1, 1963. The formidable problems of formulating administrative rules and regulations and the inevitability of protracted negotiations over definitions and terms have thus far limited the effects of the law to little more than an added, but very real, business uncertainty.

Some observers say that the law (coupled with the emerging promise of the Central American Common Market) has already resulted in some postponement and rethinking of investment plans in Mexico. Other competent observers predict that the long-run effects of the new law will not be as severe as many fear, since many firms operating in Mexico have long had voluntary profit-sharing programs of their own.

The compulsory profit-sharing provision was one of seven changes approved by 27 of the 29 provincial legislatures during the summer of 1962 pursuant to the President's recommendation and congressional action in the last days of the 1961 session of Congress. (It was one of three measures which the Government considers as reforms related to the Alliance and its own long-range social development, promulgated in a Presidential Resolution Aug. 1, 1961.)

Another controversial change gives employees ruled "unjustly" discharged the option of accepting severance pay or returning to work. Management and business associations have argued that this provision will prevent them from getting rid of incompetents and troublemakers, since the boards or commissions administering the law and determining the facts of "unjust" discharge would, it is said, be stacked against management as the third party because of the close relationship of the other two parties—labor and government.

There are two ways of looking at the profit-sharing law and only the record of administration will tell which is correct. On the one hand are the seemingly radical socialistic implications, calculated as a move to quiet the restlessness of labor which has not yet fully enjoyed the benefits of industrialization and economic development. On the other hand there are voices which, surprisingly, have termed the law as actually favorable to capital in the belief that the rate of allowable profit will be sufficiently high and the items allowed in determining profit will be generous. The bill proposed to the Congress by President Lopez Mateos setting up principles on how the profit-sharing dividends are to be divided, expressly provides, according to newspaper accounts, that administration of article 123 will "consider the need of promoting the industrial development of the country, a reasonable return on capital invested and a reserve for reinvestment."

Even the clause, disturbing to some which gives a national board the right to revise the established percentage of profits when new studies and investigation justify a change can, it is urged, just as well mean an increase if need be to attract added capital as a decrease merely to appease labor.

Those who advance this view, point to the fact that Mexican national economic policy is clearly interested in accelerating the already high rate of economic growth and in advancing the country's status in Latin America still further by attracting additional foreign

capital. This national interest in supplementing local savings with additional foreign capital is apparently sincere and real although the invitation at first blush is seemingly less than wholly gracious.

Upon analysis the officially stated policy toward foreign investment is not at all unreasonable. It might, incidentally, give pause for thought to other developing countries, and even mendicant "development" departments of a few ambitious American states. The manager of the Bank of Mexico, Lic. Mario Ramon Beteta called our attention to the pertinent words of President Adolfo Lopez Mateos:

To give special assurances to foreign capital in Mexico would be tantamount to placing it in a privileged position compared with Mexican capital. I do not believe the government of any sovereign nation is prepared to place foreigners in a position above that of its own citizens. Both Mexican and foreign investors alike are protected by the provision of the Mexican Constitution. If we cannot grant special assurances to foreign capital, neither do we impose special conditions upon it because of its place of origin.

Sr. Ramon Beteta of the Bank of Mexico has explained two additional elements in the official attitude toward foreign investment:

I do not think that we would look forward to receiving the sudden investment of large capital originated by transitory motivations and, later on, to see them depart as a result of their lack of real links to the permanent interests of the country. This is one reason why we have insisted on the adjustment of foreign investment to the Mexican environment. With this expression, we imply a developing of roots in our social soil, an understanding of our ways of life and adapting oneself to our own peculiar ideosyncrasies. * * * Capital from abroad in order to be well received must moreover enter into actual collaboration in the economic development of the country, not competing unfavorably with Mexican enterprises, not using domestic savings for the benefit of foreign companies, but rather contributing to the process of industrialization and not allowing Mexico to depend solely on production and export of raw materials and imports of manufactured products (address, July 10, 1962, Annual Convention, State Bar of Texas).

In any case Mexican business and business organizations have sought to quiet fears respecting the new labor amendments to the Constitution. The President of the Mexican Chamber of Industries is reported to have said that the law giving the worker the right to participate in profits "does not imply the right to intervene in management or company administration." Local management has reportedly been coming around to a view accepting the general principles involved in the changes as being good in the long run for social development assuming that the Government takes into consideration the economic and legal arguments presented to the President's commission appointed to draw up the regulations.

V. URGENCY OF ROADS—IF NOT YET, HIGHWAYS

Roads at every level to replace the human back and a woman's head with oxcarts, and oxcarts with multiple-drive "jeeps" and, in turn, "jeeps" with road trucks and cushioned automobiles are developmental needs, little understood by Americans who take for granted cloverleaf interchanges, circumferential highways, and turnpikes, and have forgotten having to stop the car to allow the dust of a passing vehicle to subside. The "access road" here is a means of getting a half-ton of produce through the mud to the village, rather than an elevated metropolitan thoroughway to shorten the minutes from suburbia to downtown.

The previously mentioned case of Honduras is conspicuous only in degree. The other countries likewise suffer from lack of roads. (We

are not commenting at this point on the lagging progress in completion of the Inter-American Highway begun more than a generation ago. Work on it is said to be at a snail's pace in closing bottlenecks from Costa Rica to Colombia.) We are more concerned with the critical economic local needs illustrated by an incident which Dr. Gilberto Arias G., Minister of Finance, Republic of Panama (at the other end of the isthmus from Honduras) described to us as having happened to him in April 1962:

At the time of the dramatic events at Cape Canaveral, I was driving along the Pan American Highway in the interior of Panama when I met some 30 or 40 humble farmers and stopped my car. One of them, standing barefoot in the shade of a tree, holding his worn machete and wearing his only set of clothes and frayed straw hat, approached me and said simply: "Mr. Minister, help us to solve our transportation problem. We have no way to bring our scant farm produce from our village, 10 kilometers away, to the market, for lack of a passable road for trucks. While an American named Glenn is circling the earth in outer space, we, who live only 10 kilometers away, can't even get to the highway."

VI. ILLITERACY AND THE AUTONOMOUS UNIVERSITIES

The faith which the average North American has in education as the foundation of a good society finds much that is encouraging in Central America at the elementary and secondary school levels. Unfortunately, the promise of these encouraging signs is somewhat dampened by the fear that they may not bear fruit until far in the future and may, in the meantime, be negated by the tradition of autonomy and "reformista" at the university level.

On the bright side is the encouraging reception being given to a tripartite program for elementary school construction, particularly in Guatemala. The plan, designed not only to share the burdens but to make the school an integral part of the community, calls for one-third of the cost of school construction to be contributed by the national government, one-third by the Agency for International Development, and one-third by the community itself, this latter share being in the form of labor and materials payable in kind. The gratifying result of this local sharing of costs has been that in many cases the local labor and materials contributed in kind have exceeded the expected one-third share, often running to one-half and more. This demonstration of local interest permits the other sources to divide equally the lowered remaining costs and thereby enables them to expand their limited available funds over wider areas.

We are unable to make any judgment as to the quality of teaching that goes on within these, and other new and old, school buildings. It would probably be difficult for any U.S. school superintendent or school board member to make such an evaluation giving due weight to previous standards and the local situation. Curriculum- and gymnasium-minded school administrators in the United States have indeed had little occasion to deal with the organizational problems described in the report to the Inter-American Conference of Ministers by the Government of Panama as follows:

A change in the literacy and adult-education programs was made by means of resolution 208 of March 30, 1961. The old Acculturation (Adult Education) Department was incorporated into the Primary Department, and the whole thereupon became the Literacy Section. This measure followed out the Ministry's desire to coordinate and integrate work of this kind. As is well known, literacy work is performed by the teachers, in their schools, using essentially primary-

school materials. It is therefore logical that the campaign should be administratively geared to the national primary-education program. * * * The Ministry also took into account the need to encourage teachers to devote themselves to literacy work, and to this effect decree No. 288, establishing compensation for educators, was prepared.

The autonomous universities, on the other hand, present a disturbing problem. An article in "Business Week" (September 22, 1962) leads with the unhappy truth: "Scratch a Latin American university student, and as often as not you'll find a political agitator." As a matter of fact, one of the greatest challenges in Latin America today seems to be in finding a way to turn university life and education into a constructive force rather than serving as a magnet for anarchistic, free-wheeling, political and at times militant students. Every intelligent American, North, South and Middle, would, of course, defend the right to academic freedom, the right of professors and students to hold iconoclastic views and the right to debate national economic and social issues. Most people would be quite willing, moreover, to tolerate smilingly a substantial amount of student exuberance and Saturday night devilry.

The autonomous university is quite a different thing, setting up as some of them do an essentially extraterritorial area beyond control of local or national civil government. These students, exercising the right to select and dismiss the university rector and individual professors, turn their island-status into a sanctuary for a small number of professional lifetime students whose chief interest is apparently subversion and agitation.

The situation, it must be said, is not peculiarly Latin American but worldwide as every newspaper reader knows. There is, indeed, perhaps more evidence upon which to base a hope for change in Middle America than in some other parts of the world.

And yet we are told that the elected and peacefully installed constitutional government in El Salvador was overthrown October 1960, by a coup d'etat after a series of clashes with demonstrating "university" students. The overthrowing junta was itself similarly overthrown in January 1961.

A recent account of political affairs in Caracas, Venezuela, reports that the—

main center of all the Red activity, in fact, is the tree-shaded, modernistic campus of Venezuela's Central University of Caracas * * * Except on campus, known Reds and terrorists caught in the act are arrested * * * But Mr. Betancourt's police so far have refrained from violating the unwritten law of "autonomy" which gives Latin American universities protection from government authorities. Fearlessly—almost brazenly, in fact—the Reds have turned their campus haven into a center for terrorist activities. * * * (Wall Street Journal, December 27, 1962.)

The Communist movement in Panama is said to be dangerous not so much because of its numbers but because of its ability to direct the posture of some student groups and labor unions on nationalistic issues. In Panama, as elsewhere, the autonomy conferred by law, has been extended by students to mean extraterritoriality and immunity from government intervention or use of repressive force on the campus. When the students of the University of Panama claimed this immunity in a recent student strike, it was respected by the national government. The government's posture of weakness stimulated the writing of opinions on "autonomy" by distinguished citizens.

Their consensus was that autonomy certainly extends to the administrative and teaching functions but could in no sense mean extra-territoriality—the creation of a university republic within the Republic—or imbue students with immunity from due processes of law that applied to all responsible citizens of the country. The question of the extent of autonomy is not yet resolved and leaves the government-university-student relationship confused for some time to come. This is especially true, since the Government hesitates to offend the students when their political influence or at least neutrality will be needed in the next presidential election. This fear that the students may “rock the boat” is a factor in their relative strength and continuing demands for more voice in university affairs and pressure for “reforms.”

Evidences were still apparent in Guatemala City of recent student demonstrations or perhaps more properly called vandalism, in daubing paint on national monuments. One may be sure that the Government's retort was too subtle, but the otherwise frustrated authorities are reported to have posted near the monuments evidencing vandalism placards reading: “This is an example of university culture.”

In a recent study (August 1962) prepared for a subcommittee of the Senate Committee on Foreign Relations, Prof. Raymond F. Mikesell of the University of Oregon writes:

We must depend upon these institutions for providing the training and the skills for leadership and for implementing our common economic and social goals in Latin America. The basic answer to the problem of changing the attitudes of Latin American university students and faculties is better universities. The students are often frustrated and rebellious, largely because the level of instruction is poor, they have only intermittent contact with instructors for whom teaching is only one of several part-time jobs, there are few, if any, textbooks (but plenty of free Marxist literature), and the faculty members are very often incompetent products of the same inadequate institution in which they are teaching. This is not to say that there are not some good universities and faculties in Latin America but the majority are extremely poor.

If this analysis is even a partial answer, we would interpret as hopeful our talks to university authorities and a visit to the new campus of the University of Costa Rica in San Jose.

First of all it would seem that the new suburban campus and the vision of the plans for its growth should do much for the situation academically, by getting into the fresh atmosphere away from the downtown breeding grounds of discontent and agitation. Even more hopeful of improved standards and better education for Middle American leaders of the future is the move to pool and integrate higher educational resources of the five countries: The University of Costa Rica, founded 1843; the University of El Salvador, founded 1841; the University of San Carlos in Guatemala founded 1676; the National Autonomous University of Honduras, founded 1847; and the National University of Nicaragua, founded 1812. The area with a population of only 11 million, largely children, many illiterates and a mass of as yet “outlander” Indians, is hardly ready today to support five duplicating colleges and departments of specialization at first-rate standards. Certainly united efforts at raising professional competence, standardizing and exchanging course credits and encouraging mobility of students, even though it may involve some giving up, here and there, of luxury courses will greatly improve the opportunity locally for first-rate university education which heretofore has been possible only

by costly stays in the United States or Europe. The Consejo Superior Universitario Centroamericano (CSUCA) is such an effort. Although progress has been distressingly slow—it was originally conceived in 1949—it seems to be gathering momentum and there are today three institutes of specialization which illustrate the possibilities—an institute of economic and social investigation at the University of Costa Rica, an institute on comparative law at the National University of Honduras, and an institute of penal science in El Salvador.

Perhaps it is a bit frivolous and too much to expect but one might hope for encouragement of a program of conference—"the Big Five" intercollegiate competition, in athletics, sportsmanship, debating, etc., as an agency for channeling student energies and school spirit into something other than an obsession for politics. It would likely have the added merit that the professional agitator might be crowded out of the new arena. Another alternative, not particularly appealing, that does come to mind, however, if the universities are to be turned to Western non-Marxism ideals, is a program of deliberate infiltration countering that now practiced by the Communists. The university problem in any case remains one of the unsolved, challenging problems of Latin America.

VII. THE UNCERTAIN PACE OF TAX AND LAND REFORM

In the critical areas of tax and agrarian reform one hears a great deal of steps taken (and contemplated). The best counsel would be to view these with sympathetic skepticism while awaiting the followthrough and a showing of measurable results. We were warned, for example, in one country that has undertaken tax reform pursuant to the Punta del Este agreement, that it is not yet entirely clear whether the measures taken represent a genuine change of heart or merely a desire to show a new efficiency rating scorecard in seeking financial aid and assistance.

The mutual obligations undertaken by the Latin American Republics and the Government of the United States under the Charter of Punta del Este may at this juncture thus trap the unwary into a feeling that progress is being made when there has been none. The large role confidently assigned to tax and agrarian reform programs in Latin America has indeed been perplexing to many persons north of the Rio Grande. Picture, however, foreign ministers gathered around the annual conference table being polled on accomplishments: "Have you undertaken tax reform?" "Do you have programs for appropriate land tenure reforms?" Few governments will have neglected action to the point of denying its minister the right to say "Si, Si!" A finance minister or project sponsor, knowing that programs of social reforms are expected as a condition precedent to assistance and loans, will have made sure, for the record, that he can point to something, although admittedly, yet in the process of implementation.

This is not to charge insincerity or deception but simply to warn that tax collection for example, is easy to talk about and harder to execute. Granted the possibility of such delays and even self-deception by the countries themselves, it will not do for the American taxpayer, with a tradition of a broadly based tax honestly collected, to get impatient or throw up his hands at the ineptitude and temporary failure of a well-intentioned government to overcome the difficulties in making taxpayment an accepted new way of life.

We were told, for example, of at least one country where the recurrent immediacy of the government's financial needs have led to a pattern of repeated rebates of taxes and waiver of customs duties due on imports already lying in dock warehouses. An amnesty or forgiveness of taxes due such as this, repeatedly enjoyed, comes to be expected. Any tax administrator who tries to change the practice, as changed it must be, if the tax system is to be improved, will have to be strong willed and politically secure indeed. This same country has had a so-called business profits tax for some years, but only one-half of the known businesses pay anything; the other one-half report losses. Perhaps these losses are real, but one has a right to wonder about the present law and its enforcement.

The urgency and immediacy of the need for increased government revenue to pay this month's payroll or this year's other expenses inevitably drives a finance minister (no matter how enlightened his views are about the desirability of an enforced progressive income tax as promoting socially desirable ends) into employing those tax levies which can be most easily checked and collected. One can hardly blame a government, such as that of Panama, for including in its tax reform package sundry other items along with a 10-percent tax on "earned" income and an increase to 40 percent of the rate due on other income. Both of these are likely to be of certain yield and costly enforcement. For solid, revenue-producing clauses the "reform" bill included a variety of such excises as a \$1 levy on telephone calls abroad, an increase in the fees for passports and professional licenses, an increase of 25 cents per head on slaughtering, a 50-cent fiscal stamp on export declarations and cablegrams, and an increase in the import duties on automobiles to between 22.5 and 65 percent, depending upon value. Even as interim devices it would be unfortunate if the greater administrative ease of such excise-type taxes were to divert attention away from the greater longrun equity of a well-designed, broadly based, income tax, above all supported by a tradition of enforcement and payment.

For fiscal purposes a minimum value on farmland was also established by law to reduce the "sometimes laughable" declared valuations for real estate tax purposes.

VIII. THE MULTIPLICITY OF AVENUES FOR LOANS AND ASSISTANCE

Viewed individually each of the varied development loan and grant agencies undoubtedly rests upon a defensible charter of specialization as developed by this country and the international organizations. Viewed collectively, however, they present a maze of alternative sources of getting money—free, or for hire—which results in competitive bureaucracies, delaying effectiveness of the assistance intended, to say nothing of obscuring the total amounts involved to both the borrowing and lending countries.

This complexity is particularly noticeable when one tries (in Washington or in the field) to learn the total amount of authorizations and outstanding loans or grants made to any one country by all public agencies combined. Similarly difficult is an understanding of the priorities which might be followed in determining which agency will be repaid if a country's ability to pay interest and amortize external loans turns out to be limited. There should, moreover, be available

to all agencies, the Congress, and the countries themselves, a total picture of how much performance has actually been purchased with each loan or grant. Since each loan or grant is in a sense unique, discussion of projects and programs understandably runs in terms of specific amounts for specific projects. Any reckoning of the total amounts loaned by all agencies to a given country is thus a secondary consideration, and the ability to repay or perform in specific cases may well be lost in the maze. About all one can be sure of is the probability that (if there is a private loan in the local picture at all) the first mortgage will be held by the private bank or private consortium.

To add to the confusion, the advances, being for a variety of purposes, involve a matching array of what were once called in the United States "alphabet agencies" of special governmental and quasi-governmental funds in the receiving country. In Costa Rica, to illustrate, six agencies (we will not undertake to identify further) designated ICE, BNCR, MOP, INVE, SNAA, BCR are borrowers from six different United States and international funds.

The listing of seven international lending agencies (table 2) and some 15 possible channels of U.S. assistance (table 3) to Central America and other countries during the fiscal year ended June 30, 1962, is certainly in no way intended as a criticism or questioning of the merits of the individual items or of their total. Indeed, it may well be argued that relative to the rest of the world Central America, because of its strategic position, merits even greater aid. (Disbursements on official loans (much already repaid) to the five Central American countries in the 24 years since 1939 amount to only \$14.10 per capita or 56 cents per year per capita.) The listing in the tables, primarily to illustrate the multiplicity and specialization of the channels involved, does not, of course, include private consortiums; it would not be at all surprising if someone thoroughly familiar with each situation might point to still other public and quasi-public operations that have been omitted.

TABLE 2.—Assistance under U.S. development programs, to Middle America, for fiscal year ended June 30, 1962¹

[Millions of dollars]

	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama	Mexico	Middle America and Panama ²	Total, Latin America	Total, all countries
U.S. assistance under development and aid programs.....	10.7	23.4	10.2	3.6	13.5	25.5	143.1	230.0	1,328.9	6,721.7
Aid programs, total.....	2.0	3.0	4.5	2.9	3.6	12.5	20.6	49.1	474.8	2,528.4
Technical cooperation/development grants ³	2.0	3.0	4.5	2.9	2.7	2.6	.6	18.3	180.1	456.8
Development loans.....					.9		20.0	20.9	188.9	1,088.2
Other.....						9.9		9.9	105.8	983.4
Food for peace, Public Law 480:										
Total.....		2.3	.7	.2	.7	.4	5.1	9.4	134.5	1,629.1
Title I:										
Grants for common defense.....										
Aid from triangular transactions.....										
Grants for economic development.....										
Loans to private industry.....										
Loans to governments.....									87.9	1,127.5
Title II, relief and economic development.....										
Title III, voluntary relief agencies.....		2.3	.7	.2	.7	.4	5.1	9.4	76.6	501.6
Title IV, dollar credit sales.....										
Social progress trust fund.....	3.5	11.6	3.5		7.7	10.4	10.6	47.3	224.4	224.4
Export-Import Bank: Medium and long-term loans.....	4.5	6.0				2.0	105.3	117.8	253.9	584.2
Other economic programs.....	.4	.2	.9	.2	.9			2.6	120.0	204.2
Military aid.....	.3	.3	.6	.3	.6	.2	1.5	3.8	121.3	1,551.4

¹ Preliminary.² Does not include allocation of Latin American regional.³ Includes program for social progress.

Source: AID, Statistics and Reports Division, U.S. foreign assistance and assistance from international organizations.

TABLE 3.—Assistance from international organizations, to Middle America, fiscal year ended June 30, 1962¹

[Millions of dollars]

	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama	Mexico	Middle America and Panama ²	Total, Latin America	Total, all countries
Assistance from international organizations.....	19.9	5.8	5.5	7.6	1.1	3.1	185.6	228.6	644.2	1,430.7
International Bank for Reconstruction and Development (IBRD) (loans to either governments, government enterprises, or private firms with government guarantee).....	8.5						160.5	169.0	412.0	882.3
International Finance Corporation (IFC) commitments to invest in private enterprise.....							1.1	1.1	10.7	18.3
International Development Association (IDA).....	5.5							5.5	31.0	134.1
Inter-American Development Bank (IDB) authorization to government, government enterprises or private firms from (a) ordinary capital; (b) fund for special operations.....	5.8	5.7	5.2	7.3		2.9	21.7	48.6	153.9	153.9
United Nations Technical Assistance (UNTA): Project costs under (a) regular programs; (b) expanded programs.....	.1	.1	.3	.3	.2	.2	.5	1.7	10.3	48.7
United Nations Special Fund (UNSP), allocations toward cost or preinvestment surveys.....					.9		1.8	2.7	20.8	79.7
Central American Bank for Economic Integration.....										
European Development Fund of the European Economic Community (EEC) ³									5.5	113.7

¹ Preliminary.² Does not include allocation of Latin American regional.³ Data through May 31, 1962.

Source: AID Statistics and Reports Division, U.S. foreign assistance and assistance from international organizations.

This multiplicity, whatever its rationale, is not without disadvantages.

(1) A great deal of activity and energy in the varied loan and grant agencies goes into looking over each other's shoulder and taking in each other's wash.

(2) Each potential borrower or receiving agency, no matter how worthy its aims and accomplishments, is inevitably impelled, hat in hand, successively to canvass all of the possibilities. We were told not once, but repeatedly, that development projects when rejected by one agency, acting within its special frame of reference, were promptly (or shortly later) resubmitted with or without modification for another agency's consideration and not infrequently approved. The obvious cost involved in such successive "tries" lies of course not only in the delays inherent in resubmission of projects with altered emphasis but in the duplication of paperwork and the hours and trips involved in conference and negotiation.

(3) Each agency must spend considerable energy in ascertaining how the project or loan application under consideration fits in with the type of programs it (and the other agencies) have financed elsewhere.

(4) The diffusion of lending and granting authority tends to dilute the leverage which we have in encouraging the social and economic reforms sought. There is, moreover, the danger that one agency playing—or being played—against another in a competitive ease of loan terms or reforms exacted results in a delay or distortion in achieving the Alliance objective.

(5) The very existence of this array of U.S. and international sources, each with policies and loan requirements which officials of a potential borrowing agency feel obligated to try, tends to divert official thinking from such private investment channels as may be available to a country for a project. It is probably an oversimplification certainly not put forward here as the typical procedure, but one experienced U.S. Representative said: "They (local government officials) run the gamut of applying first to one public loan source and then to another and may finally turn to private financing via Wall Street or San Francisco." This situation may not be as fruitless as it seems at first blush. One of the proper and very useful functions of the public agencies is to assist the would-be borrowers in tightening up the needs and in giving technical advice as to how financing may best be arranged and serviced.

No one would go so far as to suggest that responsible officials in the various agencies are uninformed or in the dark—although it is only too possible that they may be—about outstanding authorizations or the history of the applications or rejections a given project before them may already have been through.

Nevertheless, in order that the lending agencies and the borrowing nations themselves may better know the extent of obligations undertaken and aid given under the numerous bilateral and multilateral public programs, some agency should be responsible for a public presentation periodically of a consolidated schedule of a country's external loans. Such a country-by-country schedule should show the dates, amounts authorized and repaid, terms, annual service charges, the purpose for which intended, and especially a record of success and accom-

plishment in attaining the programmed objectives. If must be taken for granted that something in the nature of a consolidated schedule does already exist in the loan files of at least some of these lending agencies. While it might be argued that such a comprehensive schedule would offer aid to the critics of the loan programs it might equally well serve to allay the fear of others, such as the U.S. taxpayer, that economic justification has in some of these cases been neglected.

The establishment of the coordinating force of the Agency for International Development has gone a long way toward solving the problem. In this particular respect the reporting and statistical services of its Statistics and Reports Division are a very great help.

The same type of help may be expected in the regional organizational setup as evidenced by ROCAP—the Regional Office for Central America and Panama—of AID with headquarters in Guatemala City. (See appendix I for its program.) One cannot forget, however, the abuses which once arose out of proliferation of American holding companies before the public began asking, “Is this bit of organizational complexity really necessary and functional?”

IX. THE LAG BETWEEN LOAN AND GRANT AUTHORIZATION AND EXECUTION

Disbursing money under loans or grants is not a goal in itself but the lag between loan and grant authorization—presumably based on a well worked out project plan—and disbursement—presumably based on an index of performance is nevertheless a matter of concern to friends of the Alliance for Progress.

While it tells nothing of the length of, or reasons for, the lag, a summary table of recent operations covering the five countries of Central America shows that loan-closing was well ahead (September 30, 1962) of project execution:

[Millions of dollars]

Period	Official sources		Percent disbursements of authorized loans
	Authorized loans	Disbursements	
1958.....	10.5	8.6	82.0
1959.....	31.9	20.8	65.2
1960.....	47.2	7.8	16.5
1961.....	94.3	16.9	17.9
1962 (9 months).....	31.1	.6	1.9

In Costa Rica at mid-December there was \$37 million undrawn out of \$57 million of authorized loans, including loans for cattle development and the importation of capital goods totaling \$6 million signed 15 months earlier, about one-fourth drawn down; a highway loan of \$11 million against which only \$300,000 had been drawn in 14 months; a San Jose waterworks loan of \$8 million with \$200,000 drawn in 12 months, and a cement plant construction loan signed a year ago upon which no withdrawal had yet taken place.

In Guatemala at mid-December still available was \$36.2 million on loan authorizations outstanding of \$66.3.

The report presented to the Organization of American States by the Government of Panama in August 1962 says:

The real problem, with foreign financial aid, both loans and grants, has not been in the negotiations but in carrying out the projects * * *. The extreme slowness in executing what has already been negotiated is easily observed * * *. Undoubtedly the responsibility for this problem lies with both Panama and the financial institutions. However, the obstacles must be overcome if the Development Program is not to stagnate.

The report shows committed foreign loans of \$30.3 million, only \$4.6 million disbursed and \$12.4 million of AID grants for housing, roads, agricultural development, education, etc., only 3 percent was actually disbursed to date.

It has not been our mission or opportunity to go behind these figures. On the face of things, one cannot but conclude, however, despite the Panama comment just cited dividing the responsibility, that the delay is rather more the responsibility of the local bureaucracy, or a byproduct of procrastination in the reforms and performance promised than that of the negotiators and banker-minded attitudes in the financial institutions themselves.

X. APPLICABILITY AND USE OF PUBLIC LAW 480 PROGRAMS

In marked contrast to the countries of South America, little use has been made in Middle America of the several programs under the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480). While the Central American Republics in general have had relatively few trade restrictions on agricultural imports, their currencies have been mostly convertible. In general, these countries have, accordingly, been able to finance their import requirements of agricultural commodities from their own export earnings. For this reason it has been difficult to justify concessional sales of agricultural commodities in exchange for foreign currencies as permitted under title 1, of Public 480.²

A title I, Public Law 480, sale of about 500,000 metric tons of corn was concluded with Mexico in October 1957. Since then, however, Mexico has been in a favorable financial situation and is currently deemed capable of financing her agricultural import requirements. El Salvador, Honduras, Nicaragua, Guatemala, and Costa Rica have, as we have noted, joined together in forming the Central American Free Trade Area. These integration efforts have already resulted in an improved financial outlook for the area. Gold and foreign exchange reserves for example increased in 1962 in all but one of the countries, Guatemala.

Where there have been difficulties, U.S. Export-Import Bank dollar loans and dollar credits under CCC export credit programs have helped these countries get their import needs.

There have been no activities under title II, which authorizes grants of Commodity Credit Corporation stocks of farm products for famine relief and other assistance, including economic development, or under title III which authorizes the use of CCC-owned commodities for domestic and foreign donation programs and for barter of equal value for strategic or other materials.

² The information for this section is based upon data furnished to the subcommittee by the Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C.

During 1960-62 short-term credit under the CCC export credit sales program has been extended to commercial importers as follows:

Country	Commodity	Value
El Salvador.....	Wheat.....	\$871, 566
Guatemala.....	Corn and wheat..	4, 535, 538
Honduras.....	Wheat.....	896, 052
Panama.....	Corn.....	419, 084
Mexico.....	do.....	9, 181, 315

CCC export credit sales continue at a high level in Central America in the fiscal year 1963.

Public Law 480 was amended in 1959 to add a new title IV which authorizes U.S. agencies to enter into sales agreements for dollars on a long-term credit basis. Under the title IV agreements sales proceeds are available for financing economic development projects in the different countries. El Salvador was the first country with which the United States concluded a title IV agreement. The possibilities of other individual title IV agreements, as well as an areawide program, that would utilize title IV long-term credit sales agreements for feed-grain and livestock expansion programs are actively under considerations.

The recent amendment to title IV, authorizing the Secretary of Agriculture to enter into agreements with U.S. and foreign private trade entities should moreover provide an additional channel for using surplus agricultural commodities to assist in the development and expansion of commercial markets in these countries. From inquiries thus far received, it is expected that the new program authority can be used to assist development in the private enterprise sector, particularly food and agricultural processing and distribution enterprises.

XI. THE CENTRAL AMERICAN COMMON MARKET AND ECONOMIC INTEGRATION

The so-called "Central American Common Market" in the few years since its first beginnings has established itself as a viable, going institution including (since mid-1962) the five countries, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. The movement can already list among its accomplishments the elimination of trade barriers on half of the trade of the member countries; the standardization of external tariffs on over 80 percent of all commodities; the beginning of a regional development bank; and plans to spur investment in the area as a whole on an "integrated" basis. As a regional movement, its motivation and objectives, to say nothing of its size, are, however, so different that any attempt to liken it to the rise of the European Common Market would only be misleading.

The Central American program for economic integration (CAPEI) is made up of countries, each basically agricultural, all in about the same stage of development or underdevelopment, now seeking together to push ahead on the world stage by complementing each other rather than by looking to shifts in intensified competition among firms and industries within the area. In contrast, the European Common Market is made up of some of the most highly developed and industrialized countries of the world, seeking to increase area income by elimination of inefficient and high-cost marginal production.

The Central American movement developed in response to a hope that industrialization would be thereby encouraged and that the historic dependence on a limited number of raw material commodity exports can thereby be lessened.

The program for industrial integration of the area is intended to step up intraregional trade which up to the present has been quite small, although expanding. Trade among Central American countries as measured by imports from each other of \$8 million in 1950, doubled by 1957 to \$16.5 million, and doubled again in the 4-year period to 1961, to over \$37 million. Intraregional trade, once largely confined to border "spill overs" of locally produced consumer goods, now accounts for 26 and 30 percent, respectively, of the total imports of the five countries of foodstuffs and nonfood raw materials.

This growth of intraregional trade has become increasingly significant as treaties have progressively strengthened the integration movement. As a commentary on the obstacles which increased intraregional trade has had to overcome is the problem of intraregional communication. The only crossing of international borders by a railroad in Central America is the one between Guatemala and El Salvador.

But the potentially most significant aspects of the Central American common market is not the promotion of intraregional trade alone. The great hope which the movement offers over the presently fragmented markets—none of them large enough to support the desired rapid industrial specialization—is the possibility that growth and development may be accelerated by an integrated industrial structure serving broader area markets as tariffs between the several countries are eliminated.

It is, of course, debatable just how far the allocation of various industries among the countries can and should be carried out. Already far along are production plans designated as "integrated": tires for Guatemala, copper extrusions for El Salvador, sulfuric acid for Honduras, and insecticides for Nicaragua. Integration of this sort runs two risks: one of these is that the economic benefits of the price mechanism in assuring the most efficient use of resources may be lessened by the injections of political considerations into the allocation of plants to areas of relatively high cost in order that every area may share in the progress. The efforts to overcome the fragmentation of markets which now prevails may well tend, moreover, to encourage monopolistic elements by permitting, with official blessing, one producer to dominate the enlarged market. At the time of our visit there was already talk of an instance of log rolling in progress and of a politically high-level international understanding, or "deal," in the negotiations for allocation of a privileged monopolistic plant.

Although the Republic of Panama has been invited to join the common market it has not yet done so, for several reasons. Its preferred tariff relations and longstanding treaties with the United States must be taken into account. Because of the nearness of the Canal Zone it tends also to be an area of relatively higher production costs, but its special geographic position places Panama in a unique position of advantage in drawing new foreign investments which might be attracted to the joint tariff wall of a Central American customs union.

A common market treaty in any part of the world involves some sacrifice of sovereignty and nationalism. It is not yet clear to any of the countries precisely what the benefits and sacrifices of a Central American common market may be. Recognition of the gains will call for a large measure of economic sophistication on the part of the participants. The strength of the movement thus far, with the gains and losses still to be demonstrated, is a manifestation of advanced thinking which we hope will be vindicated. There are many informed persons who have hopes that the broad support which the economic integration has already received may in due time result in a large measure of political integration as well.

XII. THE UNFINISHED BUSINESS IN LATIN AMERICAN DEVELOPMENT PROGRAMS

It would be pleasant to be able to report that machinery has already been perfected and is in good working order in Latin America for compressing into a decade of reform the delayed social and economic development of a century. The fact is that the hopes of further economic development in Latin America continue to hinge upon the solution of enormous and increasingly urgent problems to which satisfactory and working answers—involving in many cases some hard choices—have yet to be found and tested. To emphasize this unfinished business is not to indulge in defeatism but to recognize that, in the circumstances, major challenges still lie ahead.

Returning visitors from any foreign land—and this is likely to be especially true of an inquiring Member of Congress—are often expected to have arrived at dramatic conclusions and what to do about them. In all honesty and humility the visitor to Latin America today is likely, instead, to come away phrasing his observations as questions rather than as answers, knowing full well that answers must, and can, be found. In this respect recent impressions of Central America reinforce impressions formed earlier in South America.

First and foremost among these issues is the need for a continuing and searching reexamination on the part of everyone as to precisely what the hopes, objectives, and realizable expectations under the Alliance for Progress are, and ought to be. Precisely what is the objective of substantial U.S. participation in this ambitious and, one must say, generally accepted as necessary program? Is our own objective primarily economic, humanitarian, or political? Can it really succeed if we have thought no more deeply of our aims than to lump them casually together equally?

As instruments for advancing these objectives a number of programs and steps, notably tax and agrarian reform, have been marked out. Now, in their acceptance and reiteration, there is the danger that they have become ends in themselves. As policies as well as operational techniques they need to be regularly rechecked. When can we expect their results to show? How dependable is the intra-country and intra-Alliance support for such measures?

Let us suggest a few of these questions more specifically.

(1) It is frequently said that the hope of saving South America from the Communist ideologies lies in the early development of a so-called "middle class," but it is as yet not at all clear how such a worthwhile objective is to be accomplished. Ownership of a modest nest egg is

a help in attaining such a spirit of security, yet except in Central America, the people in the southern continents have been effectively denied the right to capital accumulation through saving money by the inflation disease.

(2) We hear much of the dependence of these countries upon one or two export products. Does this mean that over the short run, which will probably turn out to be the long run, we are committed to dependence upon commodity stabilization programs, which have certainly not been a noteworthy success after a generation of experimentation in the United States, while giving lipservice to diversification and industrialization?

(3) In North America a high literacy rate is clearly one of the enabling factors in our democratic system. From our own experience we are quite right in emphasizing the primary role of education in the development of the Latin American countries. Having accepted this abstract principle and our sincere desire in advancing it, have we really assured ourselves that the present system, for example, in the universities, is really being employed for the advancement of the countries involved or, in the good name of academic freedom, are they being tolerated, although actually disruptive and disorganizing focal points?

(4) It is universally recognized that developing countries need new capital, and new capital gathering and channeling, facilities. The real question, having stated this need, seems to be, what are the obstacles now holding back capital accumulation? Perhaps instead of busily looking to the creation of new financial institutions, our question should focus again upon the role of inflation as a way of life in making saving unprofitable. (Happily, as noted before, inflation is not currently a problem—although always a lurking threat—in Central America as it is in some of the Latin republics farther South.) Perhaps we need also to study the record of promises held out in justification of acts of expropriation where it has been tried, in comparison with the actual crop reflected in the cost of discouragement and flight of foreign capital and local investment.

(5) Are the people of Latin America as well as ourselves, in danger of assigning some miraculous “launching” potential to more capital as the condition promoting growth? Is the concern which focuses on scarcity of capital leading us to neglect of other strategic factors, such as the spirit of enterprise, entrepreneurial skills, a heartfelt desire and widespread willingness to make the sacrifices necessary for a better life?

(6) We need a reexamination of the fine language of the Treaty of Punta del Este when it speaks of breaking up large land holdings and placing legal title in the hands of the “common man.” Does this contemplate the breaking up of presently productive, large-scale operations simply because they are large scale, or does it apply particularly to unused, under-productive, idle and public lands?

(7) The problem of personnel and administration of assistance and aid remains troublesome. The philosophy of cooperation, which quite properly is a basic tenet of the Alliance for Progress, is nevertheless often an inefficient device. It tends too make the United States dependent upon intermediary agencies and their staffs and in many instances the staffing of these intermediaries, more or less inevitable, turns out to be precisely the same persons whose prior neglect, lack of

foresight and inaction has brought about the social and economic conditions which they are now being asked and expected to help remedy.

(8) Finally, we must not overlook the phenomenon—not peculiar to Latin America—which had driven one U.S. representative to whom we talked to a discouraged repetition, as of a cliché, of the words, “the population explosion; the population explosion.” One might be annoyed by the shallowness of his “briefing” contribution but one must certainly be sympathetic with his concern.

The listing of such an array of problems, of which these indeed are only a few, should lay a basis for a patient and sympathetic approach to the Alliance and its accomplishments. It ought, moreover, to prompt a tolerance of administrative delays and partial failure. Even more it ought to prompt a round of appreciative applause for every modest success. In spite of the uncertainties and unresolved issues the Alliance and its administration have in a short time accomplished much, if we correctly interpret the better general understanding of mutual obligation and national aspirations as viewed in Central America in December 1962, compared with the view a year earlier in South America, December 1961.

Our advice a year ago regarding the need for patience and, at the same time, a wariness of the risk of discouragement is even more appropriate after the passage of 1 year. It should be read again not only by the people directly involved but by their critics and the taxpayers called upon to pick up the check.

The warning comment our subcommittee made a year ago on this point was:

Both the Latin American countries embarking on expanded and ambitious programs of economic and social development and the United States, as an interested and sincere supporter of these aims, must guard against premature discouragement and program-destroying doubts. There is always the danger that good and worthy programs have or can be oversold to the point where unrealistic expectations as to the speed of accomplishment set the stage for disillusionment. Both the process and the gains of land and fiscal reform, of industrialization, and of economic development, for example, are likely to take place at a pace which may well test the patience of all. In undertaking such programs, we need to brace ourselves against failure, or, even worse, the feelings of frustration which are likely to arise in the course of any ambitious long-run program such as these are.

APPENDIX I

REGIONAL OFFICE, CENTRAL AMERICA AND PANAMA

ROLE, ACTIVITIES, AND OBJECTIVES

ROCAP is the focal point for AID encouragement and assistance to the countries of Central America in the achievement of the economic integration of the region. Also, the Office constitutes a mechanism to strengthen regional "integrated" institutions.

ROCAP will serve as:

- (1) an AID liaison and reporting group to Central American integration organizations: The Permanent Secretariat (in Guatemala), the Central American Bank for Economic Integration—CABEI—in Honduras, and the Superior Council of Central American Universities—CSUCA—in Costa Rica, etc.;
- (2) a coordinating point for the planning and administration of AID-supported regional programs;
- (3) a service organization to the Central American and Panama division in Washington and to USAID missions in Central America, in particular:
 - (a) as a collection point for all possible data on the regional activities of other agency programs and funds (including international agencies, foundations, universities, etc.);
 - (b) as a regional coordination point for such program support activities as loan, legal, and engineering services for all Central American common market USAID's.
- (4) a planning point for regional conferences designed to:
 - (a) further economic integration directly;
 - (b) reinforce bilateral program activities that are common to all countries within the region but which are best undertaken as country programs (i.e., assistance to national planning),
- (5) as a liaison point to improve coordination between AID/DLF loan activities within the area, and:
 - (a) AID mission programing activities;
 - (b) other agency (i.e., IDB, IBRD, IFC, IDA, Ex-Im Bank, etc.) loan activities within the area.

ROCAP goals and activities are:

GOAL I.—*Creation of short-term development plans by January 1964, and development of long-term planning and programing by 1965.*

ACTIVITY AND OBJECTIVES

Establishment of regional planning institutions and development plans:

To develop the Central American Joint Planning Mission (JOPLAM) into an effective coordinating agency conducting assistance services to the national planning boards; and secondly, to enable the Permanent Secretariat (SIECA) to become an effective instrument for long-term regional planning and programing.

Improvement of administrative practices:

To increase administrative efficiency and economies in the executive branch of the five Central American governments and to improve their fiscal management, in order to facilitate development planning.

Cadastral survey and economic mapping:

To help the five governments increase public revenue needed to produce the topographic and resource data needed for regional economic planning.

Improvement of statistics and census:

To help the Central American governments develop statistical series and census data needed for national and regional development planning.

Regional infrastructure planning and development:

To assist SIECA in planning regional infrastructure development and to facilitate implementation of these plans (especially in regional highway development).

GOAL II.—*Accelerating the growth and restructurization of the Central American economy.*

ACTIVITY AND OBJECTIVES

Industrial investment and trade promotion:

To expand the output of manufacturing and service industries to supply growing internal markets in Central America, and to diversify export products.

ACTIVITY AND OBJECTIVES

Improvement of administrative practices:

To develop the skilled labor force necessary for accelerated industrial growth, a force which is democratically oriented, through education and organized cooperatives and credit unions.

Development of the Central American civil aviation network and facilities:

To facilitate intraregional trade through an improved and expanded air transport system and network.

Development of agricultural planning, grain storage facilities and commodity stabilization:

To bring about a modernized, commercial agriculture sector.

GOAL III.—*Expand and improve health and educational facilities through assisting regional social development institutions*

ACTIVITY AND OBJECTIVES

Developing institutions of higher learning:

To develop an integrated system of higher education capable of producing the technical and professional personnel required for sustained socio-economic growth of the five countries and of the region as a whole.

Regional textbook development:

To extend an elementary educational base of 6 years of primary schooling to all children of appropriate age in Central America, as stipulated by the Charter of Punta del Este.

Rural mobile health impact program:

To universalize and improve public health services as stipulated in the Charter of Punta del Este, through regional, integrated efforts.

Public health planning and training:

To universalize and improve public health services as stipulated in the Charter of Punta del Este, through regional, integrated efforts.

GOAL IV—*Technical support*

ACTIVITY AND OBJECTIVES

Technical support:

To provide technical program support (legal, loan advisory services, engineering, conference planning) and secretarial and material services for ROCAP activities.

