



1968

The Alliance for Progress

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The Alliance for Progress
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Submitted for Honors Work
In the Department of History
Illinois Wesleyan University
Bloomington, Illinois
1968

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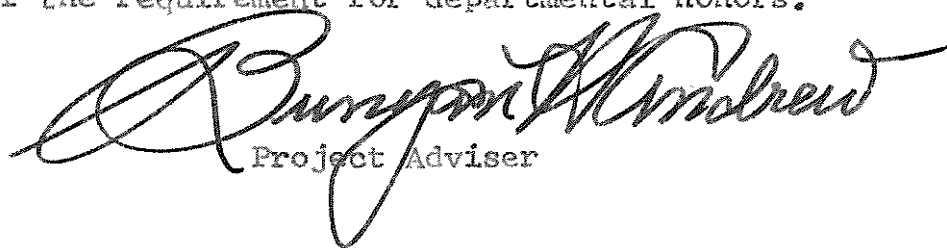

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CHAPTER I

INTRODUCTION

On March 13, 1961, at a White House reception for Latin American diplomats and members of Congress, President Kennedy "called on all the people of the hemisphere to join in a new Alliance for Progress--Alianza para Progreso--a vast cooperative effort, unparalleled in magnitude and nobility of purpose, to satisfy the basic needs of American people for homes, work and land, health and schools--techo, trabajo y tierra, salud y escuela."¹ Several months later, at the meetings of the Inter-American Economic and Social Council at the Ministerial Level, held in Punta del Este, Uruguay from August 5 to 17, 1961, the Alliance for Progress was officially established by the signing of the Charter of Punta del Este by representatives of twenty American nations. The much debated and often misunderstood Alliance for Progress, which is the subject of this paper, was thus proposed and established.

This paper is concerned primarily with the Alliance for Progress and will not attempt to analyze the circum-

¹Richard P. Stebbins, ed., Documents on American Foreign Relations-1961 (New York: Harper and Brothers, 1962), p. 397.

stances leading to its introduction. But a brief discussion of conditions in the United States and in Latin America in the early 1960's is necessary for an understanding of the Alliance and its relation to previous inter-American agreements.

* * *

Throughout the twentieth century conditions in Latin America had deteriorated as a rapidly expanding population compounded the problems of underdevelopment. Social, economic, and political problems plagued all of Latin America. The concentration of money, power, and government in the hands of a small upper class led to discontent among the masses. Widespread illiteracy, poor conditions of housing and health, low incomes, unfulfilled rising expectations, stagnation in rural areas and overburdened urban centers kept the people dissatisfied. Economic structures based on a few agricultural and mineral products for export and a low per capita product were breaking down and the problems of balance of payments and inflation threatened. Governments were often unstable and unable to deal with the problems within their countries. The military generally controlled and terrorized the people and their leaders. The entire Latin American continent was uneasy and revolutions seemed imminent.

The 1950's had been a period of anxiety for the United States with the increasing tensions of the Cold War.

When Fidel Castro seized power in Cuba in January, 1959, the United States felt threatened by the forces of Communism within its own hemisphere. At this time the leaders and people of the United States became aware of their obligations to the people of the underdeveloped nations. Conditions were ripe for a new departure in inter-American relations and the Alliance for Progress was proposed and established as a method of inter-American relations for the 1960's.

The relation of the Alliance for Progress to previous United States diplomacy in Latin America is an often debated question. Relations between the United States and Latin America had been gradually improving since the introduction of the Good Neighbor policy in the 1930's. In 1948 the Organization of American States was created, and it gave an organizational structure to the principles and policies of inter-American cooperation that had developed over the years. During the 1950's United States assistance to Latin America had increased steadily. In response to the explosive pressures created by aspirations for social and economic justice and progress, President Kubitschek of Brazil in 1958 proposed Operation Pan America as a broadscale attack on social and economic difficulties. On September 5, 1960, the Act of Bogotá was signed by the United States and the Latin American nations. Social progress, the creation of a fund for development and economic growth, and multilateral cooperation were its objectives. In 1960 the Inter-

American Development Bank was established to provide funds to implement the Act of Bogotá.

Although the Act of Bogotá proposed regional responsibility and collaboration for promotion of social development and was called by President Kennedy "our charter of economic and social advance," it lacked the proper vehicle to put it into motion.² In 1961 President Kennedy introduced the Alliance for Progress as the vehicle to bring about this social development.

President Kennedy understood the problems in the Latin American countries and referred to them in his inaugural address when he said, "To our sister republics south of our border, we offer a special pledge--to convert our good words into good deeds--in a new alliance for progress--to assist free men and free governments in casting off the chains of poverty."³ Kennedy was the first President since Franklin D. Roosevelt to refer directly to Latin America in his inaugural.⁴ This bespeaks his personal conviction on behalf of a sensitivity to the emerging issues.

The Alliance for Progress offered a creative and experimental approach to foreign aid. In it the United

²Pan American Union, The Inter-American System (Washington, D.C.: Pan American Union, 1963), p. 16.

³Stebbins, Documents, p. 14.

⁴Arturo Morales-Carrión, "The Genesis of the Alliance for Progress," Speech before the Middle Atlantic Regional Conference of the Association of International Relations Clubs, Washington, D.C., Oct. 29, 1965, p. 7.

States assumed that it could make funds available for a variety of purposes--and not simply for economic matters. The Alliance as proposed by President Kennedy recognized the acceptance of the idea that Latin American economic and social development was one problem requiring an integral solution. A social revolution backed by United States foreign aid was proposed through developmental diplomacy and the Alliance for Progress.

Under the Alliance the United States expected results from the foreign aid funds that were distributed. The Latin American nations pledged to take their share of the responsibility and to work for reforms within their countries. The governments also agreed to work together under the Alliance--a thing almost unheard of in Latin America.

The Alliance for Progress, thus, seems to represent a change of policy for both the United States and the Latin American countries. Never before had the United States attempted to underwrite a social revolution with its foreign aid and never before had the Latin American countries had a responsibility to work for reform in their countries in return for foreign aid. The United States realized that foreign aid funds could be used for more than economic development and in ways that would affect the personal lives of millions of people. A new period of inter-American relations began with the introduction of the Alliance for Progress.

Many possible reasons can be cited for this change in United States foreign policy attitudes and goals. One that cannot be ignored is the threat of Communism in the Western Hemisphere. Since the Cuban model is attractive to underdeveloped countries seeking to improve their way of life, the United States with its Alliance for Progress attempted to introduce an alternate method of development and modernization. But the Alliance also seems to represent more than simply an anti-Castro weapon. The United States recognized the importance of the Latin American nations and was willing to be experimental in methods of aid for their development. With the introduction of the Alliance for Progress the inter-American system was strengthened and an attempt was made to improve the lives of all the peoples in the Americas.

This paper will attempt to discuss the Alliance for Progress in terms of its unique characteristics and as an experimental method of foreign aid. Only under such terms can the Alliance be understood. An overall analysis of the Alliance will be given including: the concept behind the Alliance, the methods used in applying the concept, the achievements of the Alliance, and its future.

The second chapter will include a discussion of the concept behind the Alliance for Progress. An analysis of the Charter of Punta del Este will be presented. An attempt will be made to determine the goals and aims of both the

United States and the Latin American countries under the Alliance. A discussion of how the concept and aims of the Alliance have been modified since 1961 will conclude the chapter.

In Chapter three the methods used in applying the Alliance will be discussed. Financing will be analyzed as will the type and selection of projects.

Chapter four will include a presentation of the successes and failures of the Alliance for Progress. A realistic attempt to discuss what can and should be expected and what has resulted in relation to both North and South America will be included.

Chapter five will deal briefly with the future of the Alliance for Progress. The value of the Alliance for the United States and the Latin American nations will be presented and discussed.

CHAPTER 2

A NEW CONCEPT OF INTER-AMERICAN RELATIONS

When President Kennedy proposed the Alliance for Progress on March 13, 1961, he stated his reasons for introducing such a program when he said:

Our hemisphere's mission is not yet completed. For our unfulfilled task is to demonstrate to the entire world that man's unsatisfied aspiration for economic progress and social justice can best be achieved by free men working within a framework of democratic institutions.⁵

Douglas Dillon, Secretary of the Treasury and Chairman of the United States delegation at the Inter-American Economic and Social Council at Punta del Este, on August 7, 1961 again stated the United States' reason for proposing the Alliance for Progress:

That is what the Alliance for Progress is about. It is a bold and massive effort to bring meaning and dignity into the lives of all our people to demonstrate to the world that freedom and progress walk hand in hand.⁶

Thus were stated and presented the United States' reasons for proposing the Alliance for Progress.

Adlai Stevenson, on a trip through Latin America during the summer of 1961 at the request of President

⁵Stebbins, Documents, p. 396.

⁶Ibid., p. 409.

Kennedy, noted the effect of the proposed Alliance for Progress on the Latins.

President Kennedy's proposal of an Alliance for Progress has created a profound impression throughout Latin America. . . . I have sensed great sympathy and understanding for our country's objectives as expressed by our President, and a keen desire to work out our problems cooperatively.⁷

On March 13, when President Kennedy proposed the Alliance for Progress, he said he would "shortly request a ministerial meeting of the Inter-American Economic and Social Council, a meeting at which we can begin the massive planning effort which will be at the heart of the Alliance for Progress."⁸ From August 5 to 17, 1961 such a meeting was held at Punta del Este, Uruguay where the leaders of the American nations met and attempted to put these aspirations into writing and provide a framework for their realization. The task, that of choosing targets and instruments, was not an easy one. But in the short period of thirteen days the Declaration to the Peoples of America, the Charter of Punta del Este and several appended resolutions were prepared. These documents deserve careful attention at the beginning of any discussion of the Alliance for Progress since they constitute the basis of the Alliance and are the only reliable basis on which to begin

⁷Adlai E. Stevenson, The Alliance for Progress, a Road Map to New Achievements (Washington, D.C.: U.S. Government Printing Office, 1961), p. 12, 14.

⁸Stebbins, Documents, p. 398.

an analysis of the Alliance for Progress.

The Declaration to the Peoples of America is the less technical of the two major documents and will be discussed later since it is the Charter of Punta del Este which actually established the Alliance for Progress within the Framework of Operation Pan America. The Charter of Punta del Este includes a detailed expression of the objectives of the Alliance for Progress as well as the methods to be used for social and economic development.

The Preamble of the Charter of Punta del Este states that the American Republics are uniting "in a common effort to bring our people accelerated economic progress and broader social justice within the framework of personal dignity and political liberty."⁹ The Charter states as its purpose "to enlist the full energies of the peoples and governments of the American republics in a great cooperative effort to accelerate the economic and social development of the participating countries of Latin America, so that they may achieve maximum levels of well-being, with equal opportunities for all, in democratic societies adapted to their own needs and desires."¹⁰

The objectives of the Alliance for Progress as stated in the Charter of Punta del Este are of two types:

⁹Inter-American Economic and Social Council, The Alliance for Progress (Washington, D.C.: Pan American Union, 1967), p. 9.

¹⁰Ibid., p. 10.

those that directly affect the daily lives of the Latin American people and long term goals of socio-economic reform and development designed to raise the standard of living in each country.

The fundamental goals of the Alliance are: a rate of economic growth of not less than 2.5 per cent per capita per year; a more equitable distribution of the national income, raising more rapidly the income and standard of living of the needier sections of the population; diversification of the national economic structures, to reduce dependence on a limited number of primary products; acceleration of industrialization; improvement of agricultural productivity; comprehensive agrarian reforms, with equitable systems of land tenure; elimination of illiteracy and a sixth-grade education for all school-age children; expanded housing and public services for both urban and rural areas; stable price levels with an adequate rate of economic growth; increased economic integration; and cooperative programs to prevent the harmful effects of fluctuations in foreign exchange earnings from primary products.¹¹

National development programs were the principle method of organizing and implementing these objectives. Comprehensive development plans were required in order for money to be granted. However, emergency financial

¹¹Ibid., pp. 10-11.

assistance was also available. The principle of self-help was an important part of the program as was the inclusion of both the public and private sectors in the development program. External assistance would be supplied by the United States to help implement these programs. In his address to the Inter-American Economic and Social Council on August 7, Douglas Dillon said that Latin America could "reasonably expect its own efforts to be matched by an inflow of capital during the next decade amounting to at least \$20 billion."¹² Most of these funds were expected to come from United States private and public sources. United States support of these programs was conditioned by whether social reforms were carried out along with economic developments. The major responsibility for the entire program was that of the Latin Americans, the United States had a minority role in the entire program.

The Organization of American States, the Economic Commission for Latin America, and the Inter-American Development Bank were given responsibility for administering the Alliance. A panel of nine high-level experts, appointed "on the basis of their experience, technical ability, and competence in the various aspects of economic and social development," and the Inter-American Economic and Social Council had responsibilities in the Alliance.¹³

¹²Stebbins, Documents, p. 412.

¹³Ibid., p. 424.

Ad hoc committees would be appointed at the request of interested governments by the Secretary General of the Organization of American States for the review of programs of economic and social development. The recommendations of these ad hoc committees would help to determine the distribution of public funds under the Alliance. The Inter-American Economic and Social Council was to review annually the progress achieved by the various countries under the Alliance.

Other sections of the Charter of Punta del Este discuss the necessity of economic integration in Latin America and the problem of the expansion of basic export commodities. Both of these areas were given high priority in the Alliance for Progress. The Montevideo Treaty and the Central American Treaty on Economic Integration were praised as appropriate instruments for economic integration. Both national and international measures to help solve the problem of primary export commodities are suggested in the Charter.

Representatives from twenty nations of the inter-American community (excluding Cuba) signed the Charter of Punta del Este. Although Cuba sent Ernesto "Che" Guevara, Cuba's Minister of Industries, to the meetings at Punta del Este, he did not sign the Charter. The Charter was not an international treaty and was not approved by the Congresses of the signing states. For this reason it had no real binding effect on any nation and countries were

free to apply the ideas of the Charter as they desired. A country could also drop out of the Alliance at any time.

Additional resolutions on economic and social development, economic integration, basic export commodities, an annual review of economic and social progress, and public opinion and the Alliance for Progress were also prepared by the Council. These resolutions presented in greater detail certain aspects of the Alliance.

The Declaration to the Peoples of America was the final document produced by the Inter-American Economic and Social Council in 1961. This was written, as the title suggests, as a declaration to the peoples of America telling them of the establishment of the Alliance for Progress. The Declaration is a much less technical document than the Charter. The basis of the Alliance is presented in terms that have meaning to the people throughout the hemisphere.

The Declaration to the Peoples of America briefly summarizes the goals of the Alliance and refers to it as "a vast effort to bring a better life to all the peoples of the Continent."¹⁴ The Declaration states:

The Alliance is established on the basic principle that free men working through the institution of representative democracy can best satisfy man's aspirations, including those for work, home and land, health and schools. No system can guarantee true progress unless it affirms the dignity of the individual which is the foundation of our civilization.¹⁵

¹⁴Inter-American Economic and Social Council, Alliance for Progress, p. 3.

¹⁵Ibid.

The Declaration also describes the methods of implementing these goals.

The Declaration to the Peoples of America, the Charter of Punta del Este and the appended resolutions prepared by the Inter-American Economic and Social Council in August, 1961 establish the basis of the Alliance for Progress.

* * *

The magnitude of the Alliance for Progress is evident in even a brief analysis of the documents surrounding its establishment. The tasks of the Alliance were great: construction of administrative machinery, changes in the attitudes of the peoples of Latin America, and reform and new organization in the administration of the governments involved. A revolutionary change was called for in all of Latin American society.

The Charter of Punta del Este however, seems to be composed of glowing generalities and leaves room for considerable doubt of how effectively the pledges of resolute action by Latin American countries will be carried out. The Latin Americans seem very receptive to the commitments made by the United States but somewhat vague about the commitments expected of them. One important area of reform and development--political--is also eliminated in the Charter. Perhaps the leaders at Punta del Este thought improvements in social and

economic conditions would automatically lead to improvements in political conditions, and that with better housing and improved health, etc. better political conditions would result. But improved living conditions do not lead necessarily to political maturity. In reality, by ignoring this area of reforms in the Charter of Punta del Este, both the United States and the Latin American countries were avoiding mention of a dangerous and controversial area. Most Latin Americans resent United States' interference in their political affairs. But it seems that if a program such as is suggested by the Alliance for Progress is to succeed in reaching its goals, political reform and development as well as social and economic improvements are essential.

Although the Charter of Punta del Este established the basis of the Alliance for Progress it is evident that more structure and planning were necessary before the program could be carried out. The Charter can be criticized as an idealistic statement of purpose with few realistic considerations of implementation. But it was the beginning of the Alliance for Progress.

The origin of the Alliance Charter seems unusual for a comprehensive program of this type. A program for the overall development of the Latin American countries would better have originated in the Organization of American States. Since the scope of the Inter-American Economic and Social Council is limited, the Alliance was also limited at its inception. This perhaps accounts for the

mention of only social and economic reform to the exclusion of political reform. But the operation and administration of a broad program such as that of the Alliance transcend the economic field and the Council by which the Alliance was established. An undertaking such as the Alliance also requires leadership of statesmen of broad vision and political sensitivity. The Inter-American Economic and Social Council seems too narrow in scope to administer a comprehensive program such as the Alliance for Progress.

One notable area of weakness in the Charter of Punta del Este is the lack of an established and powerful administrative machinery for the Alliance. The Panel of Nine and the ad hoc committees had no real power and act only in advisory positions and the yearly review by the Inter-American Economic and Social Council was not adequate to administer the program of the Alliance. There was a visible lack of a multilateral agency with real power.

Under such conditions it seems inevitable that the United States, who was the principle distributor of funds for the Alliance programs, would eventually come to control the Alliance. Although the United States was reluctant to assume such a role, it became necessary for someone to administer the program to see that foreign aid funds were properly channelled and used.

This lack of a multilateral agency to administer the Alliance caused problems and led to a change in the Charter of Punta del Este. This change was adopted at the Fourth

Annual Meeting of the Inter-American Economic and Social Council at the Ministerial Level in Buenos Aires in 1966 as part of the Charter. The Inter-American Committee on the Alliance for Progress (CIAP) was included as a part of the Charter of Punta del Este and empowered "to coordinate and promote Alliance activities."¹⁶ CIAP had been created at the Second Annual Meeting of the Inter-American Economic and Social Council at the Ministerial Level in 1963 as "a special, permanent committee of the Inter-American Economic and Social Council for the purpose of representing multilaterally the Alliance for Progress and, in the same way, coordinating and promoting its implementation in accordance with the Charter of Punta del Este, and of carrying out the mandates of this resolution and those it receives from the Council of the Organization of American States or the Inter-American Economic and Social Council."¹⁷ CIAP was composed of a chairman and seven representatives of the member states of the Organization of American States. The Panel of Experts was made the technical arm of CIAP to aid in carrying out its function of evaluating development plans and programs.

With the creation of CIAP, many of the problems of the Alliance caused by lack of a strong multilateral agency with power were solved. The United States no longer felt

¹⁶Ibid., p. 53.

¹⁷Inter-American Economic and Social Council, Second Annual Meeting of the Inter-American Economic and Social Council at the Ministerial Level (Washington, D.C.: Pan American Union, 1964), p. 10.

the necessity of controlling the Alliance since CIAP took care of the problem. CIAP improved coordination between the United States and the Latin American countries under the Alliance. All participants in the Alliance trust and depend on CIAP, and since its creation the Alliance has developed into a strong organ of development and is of more value to all concerned.¹⁸

Another possible weakness of the Alliance for Progress is the very nature of the Charter. Since it is not an international treaty and has no binding effect on any country, compliance with the Charter of Punta del Este is optional. The Alliance rests on the declarations and commitments of the leaders signing the Charter. Its duration depends only on the good will of the states involved. Although these facts cause some problems within the Alliance, such a development program can be effective only under these or similar terms. In order for such a program to be effectively carried out, the involved countries and their peoples must be willing to cooperate.

Dr. Carlos Sanz de Santamaria summarized the nature of the Charter of Punta del Este when he wrote:

Punta del Este no es un Tratado Internacional; no ha sido aprobado por los Congresos. Pero sin serlo, en mi opinión, para los signatarios de la Carta, sean los países americanos, sean los Estados Unidos, ese documento representa el más grande compromiso moral con los pueblos del Continente que ningún

¹⁸CIAP will be discussed again in Chapter 3.

país osaría poner en duda o no aceptar, con todas sus consecuencias.¹⁹

Alberto Lleras Camargo expressed a similiar idea when he stated that in signing the Charter of Punta del Este the Latin American governments bound themselves "not so much to the other signatory nations as to their own people."²⁰ The problems encountered with an agreement of this type are evident. Many of the governments that signed the Charter were also not fully aware or convinced of the ultimate implementation of the ideas stated in the Charter.²¹

The fact that the Inter-American Economic and Social Council issued the Declaration to the Peoples of America illustrates the importance of the participation and cooperation of all people in a development program such as the Alliance. Such a Declaration should have aroused hope among the peoples of Latin America at whom it was primarily aimed. The Inter-American Economic and Social Council again

¹⁹ Carlos Sanz de Santamaria, Exposicion ante el consejo de la Organizacion de los Estados Americanos, 3 de Marzo, 1965, p. 14. English translation: "Punta del Este is not an international treaty; it has not been aproved by the Congresses. But without being this, in my opinion, for the signers of the Charter, the American countries and the United States, this document represents the greatest moral compromise with the people of the continent that no country would dare to put in doubt or not accept it, with all its consequences."

²⁰ Alberto Lleras Camargo, "The Alliance for Progress: Aims, Distortions, Obstacles," Foreign Affairs, vol. 42 (Oct., 1963), p. 26.

²¹ Ibid.

emphasized the importance of popular support for the Alliance in Resolution E dealing with public opinion and the Alliance for Progress. The Resolution stated that publicity of all types was necessary for the success of the Alliance because "in order to attain its goals this vast program demands understanding and active cooperation from all the peoples of America."²²

Through an analysis and consideration of the Charter of Punta del Este and the other documents prepared at Punta del Este in 1961 most of the essential facts concerning the Alliance are clearer.

* * *

Consideration of the goals and objectives--stated and implied--of the United States and the Latin American countries is necessary to an understanding of the Alliance.

Robert Kennedy clearly expressed some of the issues of the Alliance. "The essence of foreign policy is results, which means that we should be concerned not just with our own judgments of our motives and actions but as much with the judgments of those with whom we deal."²³ Radomiro Tomic also expresses some important facts about the inter-American system in a letter to Senator Gruening: "Let us recognize that the basic realities of our nations are not

²²Inter-American Economic and Social Council, Alliance for Progress, p. 48.

²³Robert F. Kennedy, To Seek a Newer World (Garden City, N.Y.: Doubleday and Company, 1967), p. 108.

similar, but different, and that their basic interests are not identical, but complementary."²⁴ If these two facts were understood by all parties in inter-American relations there would be fewer problems.

President Kennedy understood the nature of the demands to be made by the Alliance as is illustrated by many of his statements.

La Alianza para el Progreso is a program which is revolutionary in its dimensions. It calls for staggering efforts by us all and unprecedented changes by us all. It raises far-reaching aspirations, and demands difficult sacrifices.²⁵

But unfortunately other people in important positions were less knowledgeable of the type of demands made by the Alliance. The "revolutionary" aspects of the program were understood by few people and thus there was disappointment when results did not occur as rapidly as hoped for. The Alliance for Progress called for reforms and changes throughout all areas of Latin American life--and such a program takes time and effort. The problem is again well summarized by Robert Kennedy:

This was a pledge of revolutionary change, for Latin America as well as for the United States. But the need for change was not universally accepted, either in the Alliance or in the United States.²⁶

²⁴Letter, Radomiro Tomic to Ernest Gruening, August, 1968, Chilean Embassy, Washington, D.C., p. 5.

²⁵John F. Kennedy, President Kennedy Speaks on the Alliance for Progress (Washington, D.C.: Agency for International Development, 1962), p. 19.

²⁶Robert Kennedy, To Seek a Newer World, p. 67.

The United States had several reasons besides those stated by President Kennedy for proposing the Alliance for Progress. Some objectives of United States foreign policy include the security of the United States, protection of its economic interests, and development for stability. The United States wanted Latin America protected from Communism and tried to introduce a peaceful revolution in place of the violent one which was developing. Through economic development, social progress and self-help the United States hoped to bring about this peaceful revolution. The principle assumed that only governments and nations moving toward development and reforms could gainfully participate in this program and thereby qualify for assistance. The question is "whether when change comes, it will lead to progress and justice, achieved by free men within a framework of democratic institutions; and for us, whether change will advance or injure the national interest of the United States."²⁷ American policy in Latin America as stated by the Department of State in 1965 was as follows:

Our policy in Latin America is not one of sterile anti-Communism, or preservation of the status quo. We are actively supporting the expansion of democracy in Latin America on the basis of political, economic, and social reforms. It is our hope and intention that, with adequate defense against totalitarian intervention, Latin America will achieve further significant progress on the path of modern democracy. This is not only one of the major aims of the Alliance for Progress;

²⁷Ibid.

it is one of the fundamental objectives of our entire Latin American policy.²⁸

Even though the United States was thinking of her own security and welfare when she proposed the Alliance for Progress she was also willing to help the Latin American countries achieve the economic and social development and reform they desired. Such goals can hardly be criticized.

The Latin American countries were also concerned with their own benefit and welfare in the Alliance for Progress. In the Alliance as proposed by President Kennedy, the Latin American nations saw the possibilities of aid to help in economic and social reform. In return for the aid all they had to do was enact the reforms. Their reasons for agreeing to the Alliance are evident.

The Alliance for Progress appears to be a good instrument for providing both the United States and the Latin American nations with the policies and the results they expect in their foreign relations. For this reason it appears to be a true inter-American agreement.

²⁸U.S., Congress, House, Committee on Foreign Affairs, Communism in Latin America. Hearings before the Subcommittee on Inter-American Affairs, 89th Cong., 1st sess., 1965, p. 119.

CHAPTER 3

APPLYING THE CHARTER OF PUNTA DEL ESTE

The methods by which the Alliance for Progress works to achieve its goals are examples of international cooperation. The Alliance, founded as a voluntary partnership of the American republics, unites the governments and peoples and all the major international organizations and agencies in the Western Hemisphere in an integrated program of action. But problems are created because the Alliance does not rely on treaty obligations and formal commitments and does not have extensive administrative machinery of its own. The problem was especially acute before the establishment of the Inter-American Committee on the Alliance for Progress (CIAP). Since that time CIAP has become the principle multilateral organ of the Alliance.

Before the establishment of CIAP in 1963, three international bodies--the Organization of American States, the Inter-American Development Bank, and the United Nations Economic Commission for Latin America--shared responsibility for administering the Alliance. The OAS played a major role in the implementation of the program by means of basic studies, technicians, task forces, and its committee of

nine high-level experts to evaluate long-term development plans submitted by Latin American governments. The Inter-American Development Bank channels funds allocated for various projects into respective countries. ECLA provides for various specialists needed to direct economic development projects.²⁹

The committee of nine impartial experts was undoubtedly the most important part of the Alliance structure as originally established since its job was to appraise proposed development plans and act as arbitrator between the source and recipient of funds. Beyond this group, the Alliance relied on an annual meeting of the Inter-American Economic and Social Council, a subordinate body of the OAS, to review its progress and propose new courses of action. Thus, before the creation of CIAP, the Alliance lacked sufficient multilateral organization. The Panel of nine was not an adequate multilateral organ since its functions involved dealing with each country separately as its development plan was evaluated.³⁰ The Panel itself recognized the necessity of a unity of principles, criteria, and methods of evaluation as well as the fact that a national program should be analyzed within a framework that extends

²⁹Pan American Union, The Inter-American System, pp. 18-19.

³⁰Panel of Experts of the Inter-American Economic and Social Council, Report of the Panel of Experts of the Inter-American Economic and Social Council, Sept. 30, 1962 (Washington, D.C.: Pan American Union, n.d.), p. 8.

beyond the limits of the individual country. The Panel of experts did not have authority in these areas or in planning for the implementation of economic integration and improved basic export commodities. The Panel was aware of these problems and in 1962 recommended that a new organization for the entire Alliance machinery should be studied.³¹

At the first annual meeting of the Inter-American Economic and Social Council at the Ministerial Level in October, 1962 in Mexico, D.F., it was resolved that two outstanding Latin Americans would be appointed to study the structure and activities of the organizations and agencies of the inter-American system that had responsibilities in the Alliance for Progress, and to make recommendations regarding those structural and procedural changes necessary for the Alliance to "take on the efficiency and the dynamic qualities called for by the Charter of Punta del Este."³² Juscelino Kubitschek, former President of Brazil and originator of Operation Pan-America and Alberto Lleras, former President of Colombia, were appointed to carry out this review. As a result of their study the Inter-American Committee on the Alliance for Progress (CIAP) was created at the Second Annual meeting of the Inter-

³¹Ibid., p. 12.

³²Inter-American Economic and Social Council, First Annual Meeting of the Inter-American Economic and Social Council at the Ministerial Level (Washington, D.C.: Pan American Union, 1963), p. 24.

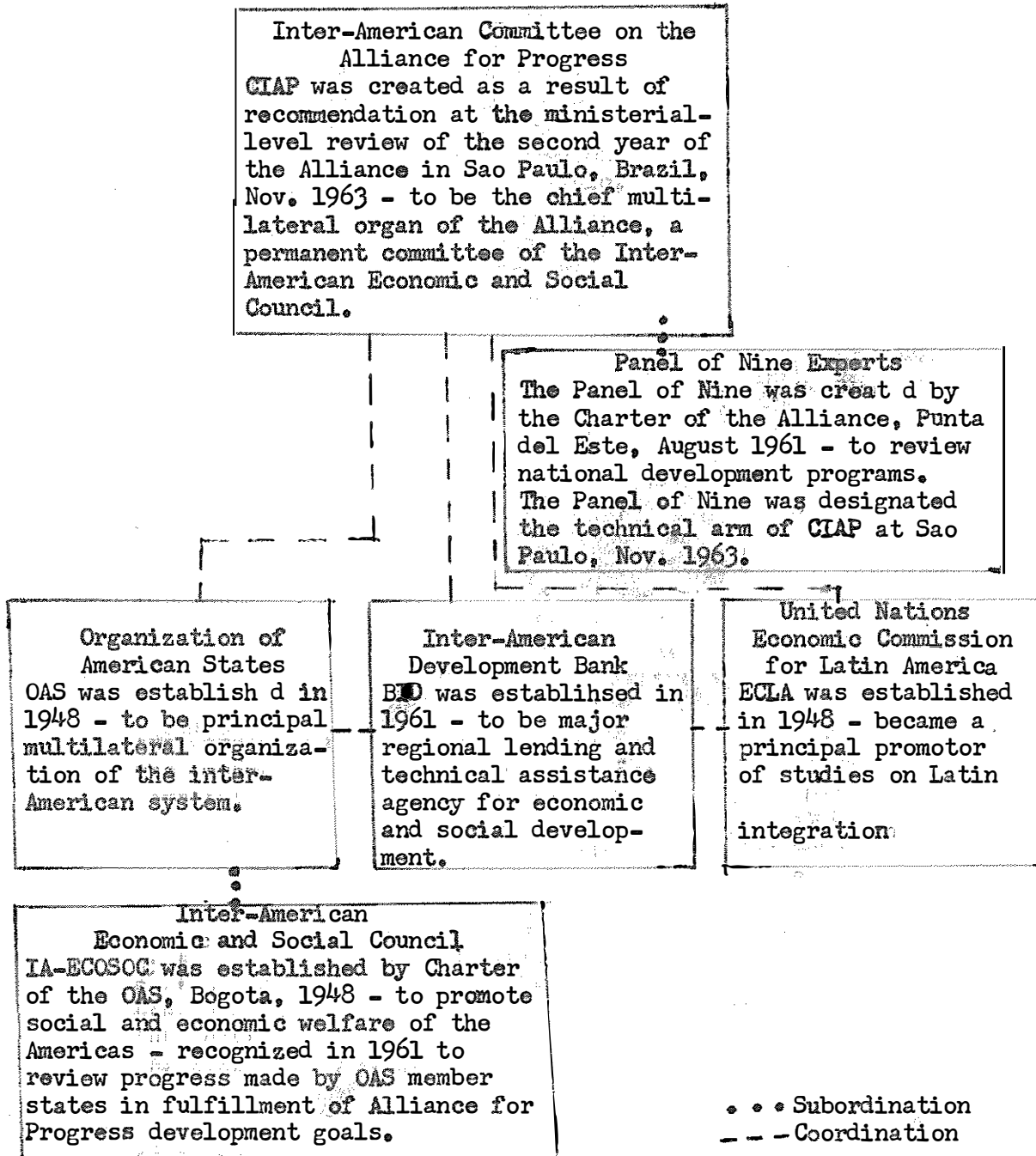
American Economic and Social Council in Sao Paulo, Brazil in 1963.

CIAP was established (as noted in Chapter 2) to represent the Alliance for Progress multilaterally and to coordinate and promote the implementation of the Alliance in accordance with the Charter of Punta del Este. The relationship of CIAP, the principle multilateral organ, to the other parts of the Alliance for Progress is illustrated in Chart 1. With the aid of its technical arm, the Panel of nine, and the other international organizations, it has given the Alliance for Progress a much firmer organizational foundation and a more multilateral character. This fact was clearly stated in the review of the third year of the Alliance by the Inter-American Economic and Social Council. "The work accomplished by CIAP in the short time since it was established is the best proof of how well advised the Inter-American Economic and Social Council was to decide upon its creation, for it has given the Alliance the Latin American image and the multilateral significance that it needed."³³ With CIAP the charges of United States domination of the Alliance are no longer possible since with a qualified group of experts the United States no longer feels the necessity of taking control of the Alliance.

³³Inter-American Economic and Social Council, The Alliance for Progress: Its Third Year (Washington, D.C.: Pan American Union, 1963), p. 23.

CHART 1

PRINCIPAL MULTILATERAL ORGANS OF THE ALLIANCE FOR PROGRESS



Source: J. Warren Nystrom and Nathan A. Haverstock, The Alliance for Progress (Princeton, N.J.: D. Van Nostrand Company, 1966.)

With CIAP the Alliance obtained a real multilateral organization and character. CIAP is able to give multilateral direction, supervision, and coordination to the Alliance program and provides possibilities for greater Latin American leadership and initiative.

The principle functions of CIAP are to determine each country's internal performance and external financial needs in accordance with the needs of Latin America as a whole and to represent Latin America multilaterally to financial agencies.³⁴ This is carried out primarily through annual country reviews. There is evident advantage in a group such as CIAP carrying out this evaluation and making recommendations; since CIAP is not a financial organization its evaluation of the development of each country can be broad and flexible and include human and noneconomic determinants of development. Another advantage is that the Latin American countries and peoples--who resent United States' interference in their internal affairs--do not feel that an evaluation by CIAP is an infringement on their sovereignty or a confession of weakness. This is true because the United States also subjects its aid programs to review by CIAP and follows their recommendations.

CIAP has been constantly gaining power and importance since its establishment in 1963. With the strengthening of

³⁴Inter-American Economic and Social Council, Second Annual Meeting, p. 11.

CIAP Latin American leadership in the Alliance has become more firmly established. In June, 1967 the OAS finance ministers agreed unanimously that CIAP recommendations be given full weight in the allocation of funds by the international agencies. This complements the United States law, the Fullbright Amendment to the Foreign Assistance Act of 1966, which requires that United States development loans to Latin America be consistent with CIAP findings in the annual review of national development programs.³⁵ CIAP has done a great deal to make the Alliance for Progress a strong multilateral agency.

In February, 1967, the fundamental scope and direction of the inter-American system was altered when the foreign ministers, meeting at Buenos Aires, approved sweeping reforms for the Charter of the OAS. The emphasis at this meeting was on development and CIAP was recognized as a permanent, informed agency for complicated development issues. In essence, the goals of the Alliance became the goals of the OAS.³⁶ This succeeded in raising decision-making on social and economic matters to the highest political level and the Alliance as a multilateral agency was again strengthened.

* * *

³⁵Alliance for Progress Information Team, Special Report on 1967 (Washington, D.C.: Pan American Union, n.d.), p. II-4.

³⁶Ibid., p. II-1.

United States participation in the Alliance for Progress is controlled by the Executive Department. The Alliance was originally proposed by President Kennedy, and policy relating to the Alliance emanates from the President and Congress. Policy coordination and official United States representation in international bodies are the functions of the State Department. United States participation in the Alliance is conducted by the Agency for International Development (AID) under State Department guidance. Funds and technical assistance for Alliance countries are provided by Foreign Assistance Acts of Congress, which appropriate funds to fulfill United States foreign policy objectives.

AID is responsible for the administration of United States public funds allocated to the Alliance and for providing the technical assistance promosed in the Charter of Punta del Este.³⁷ It is AID's responsibility to coordinate the participation of United States industry, social institutions, and all public and private effort. AID is also responsible for much of the coordination of Alliance programs with other departments and agencies of the Executive branch of the government and within the State Department. The problems encountered by AID in its attempts at administration and coordination are obvious.

³⁷Thomas C. Mann, "Organizing for Progress in Latin America," Department of State Bulletin, vol. 51 (Oct. 5, 1964), p. 480.

Besides, AID has many other responsibilities along with administration of the Alliance. The organization of Alliance administration in Washington seems a loose attempt to coordinate the activities of a large number of independent agencies and groups, each with their own point of view and special interest.

In 1964, the Latin American Bureau of the State Department and the Latin American division of AID were put under a single head to make coordination easier.³⁸ But the position of administrator still tends to be one of much responsibility and little power--since power is distributed among many agencies and groups. It is a well known fact that Washington bureaucracy moves ponderously and the organization of the Alliance complicates the problem.

Since the establishment of the Alliance there has been an acute problem in the State Department and among its officials as well as in Congress in adjusting to the objectives and methods of the new development diplomacy. There has been a steady tension within the State Department between development and diplomacy since the establishment of the Alliance.³⁹ Because of this tension and disagreement, the Washington administration of the Alliance has not been able to adjust to the Alliance with coherent,

³⁸Ibid., p. 480.

³⁹William D. Rogers, The Twilight Struggle (New York: Random House, 1967), p. 224.

consistent and continuous direction. As yet there is inadequate organization in Washington for dealing with the Alliance and the problems and challenges it proposes. There is also a lack of qualified personnel to carry out the Alliance programs in the United States. Frequent changes of Alliance administrators are common. Washington, with its constantly changing ideas and administrators, has deterred Alliance development and progress.

* * *

CIAP is the organ of the Alliance that has the power to evaluate projects and to decide what projects will be financed and which need further planning.

Since the Alliance requires comprehensive national plans as a basis for the granting of assistance, some countries have failed to qualify because they are unable to develop these national plans satisfactorily. But the Charter of Punta del Este also provides for immediate and short-term action measures as well as emergency financial assistance. The reasons for requiring development planning before external assistance is supplied is that external financial resources cannot be used effectively unless internal resources are effectively and reasonably employed.

Evidence on how development projects are actually chosen is difficult to locate. In the United States funds for the Alliance must be approved as part of a Foreign Aid Bill in Congress. But the goals of the United States in the Alliance vary and the criteria for the distribution of

funds changes as new people come into positions of leadership and as the Alliance program develops and changes. The foreign assistance process naturally involves many potential conflicts between the parties involved because, as discussed in Chapter 2, there may be differing understandings of what is expected and what goals reinforce a certain project.

When the Alliance was first established in 1961 the United States was eager for some "successes" in the program to impress the Latin Americans and the American people and Congress. For this reason projects were chosen as models of what could be done under the Alliance and money was concentrated in a relatively few areas. Much of the money that was distributed early in the Alliance went for budget support rather than actual reform and development. There was difficulty in getting projects started and in finding the correct projects. Projects of social significance that will supplement economic development programs are not easy to develop and require trained experts to administer them.

After a project is chosen and funds supplied there are still problems involved in the implementation of the program. Most Latin American countries lack the skilled personnel necessary to carry out development projects. Many of the governments originally did not realize what was expected under the Alliance and furthermore did not have the training or background to deal with development

projects. In choosing projects and administering funds such facts have to be considered. If funds are supplied and not used to improve the social and economic conditions and bring about reform, the purposes of the Alliance will not be carried out. Criticisms of the Alliance arise for these reasons. It often seems that foreign aid funds are simply strengthening the power and control of the small ruling classes. In many cases what is needed under the Alliance program is not more funds but better guidance in the use of funds through technical and personal assistance.

For the first five years of Alliance operation most funds went to a small number of countries for their development and reform in support of their national development plans. It took about one year for Alliance machinery to be established and put on a firm footing. But most of the administration problems of the Alliance have now been solved. With the introduction of CIAP and the acceptance of the necessity of self-help and responsibility by the Latin American nations, the United States has shifted its policy toward the Alliance.

The United States shift of policy and the change of goals in the Alliance for Progress is best illustrated in the Declaration of the Presidents of America issued at Punta del Este, Uruguay on April 14, 1967. In this declaration the Presidents of the American republics stated that they were:

Resolved to give more dynamic and concrete expression to the ideals of Latin American unity and of solidarity among the peoples of America, which inspired the founders of their countries. . . .

Pledged to give vigorous impetus to the Alliance for Progress and to emphasize its multilateral character, with a view to encouraging balanced development for the region at a pace substantially faster than attained thus far.

United in the intent to strengthen democratic institutions, to raise the standards of their peoples and to assure their increased participation in the development process, creating for these purposes suitable conditions in the political, economic and social as well as labor fields.⁴⁰

As part of the Declaration, the Presidents resolved to create progressively, beginning in 1970, the Latin American Common Market, and also accepted a long-range "Action Program." Included in this Action Program were: multilateral cooperation to accelerate development of river systems, international highways, and other transportation and communication networks, with emphasis on mutual projects which would most benefit the poorest nations; increased earnings from foreign trade; increased farm productivity through modernization, new settlements, land reform, crop diversification, and improvement of rural living conditions; improved education; harnessing of science and technology for the service of all peoples; improved health programs; and elimination of unnecessary military expenditures, which prevent vital economic and social progress.⁴¹ In this way

⁴⁰U.S. Department of State, Commitment for Progress (Washington, D.C.: U.S. Government Printing Office, 1967), p. 11.

⁴¹Ibid., pp. 12-13.

the Presidents established priorities under the Alliance for Progress to meet the imperative needs of the Latin American peoples.

President Johnson spoke of the "decade of urgency" which the Declaration was prepared to meet.⁴² The problem at this time, as stated by Covey Oliver, U.S. Coordinator of the Alliance, was that there were still too many Latin Americans waiting for the Alliance to touch them.⁴³ The Presidents of the American nations hoped, through the summit at Punta del Este in 1967, to eliminate some of the problems under the Alliance. At this time the Alliance seemed to move into a new phase--the basic machinery of the Alliance had been established and experimented with and now the real work of development could be intensified. By 1967 the Alliance had also achieved a truly multilateral character and was respected throughout the hemisphere as an instrument for development.

* * *

The Charter of Punta del Este recognized that economic and social development in Latin America would require large amounts of public and private financial assistance. External assistance would come from three main sources: United States foreign aid funds, international agencies, and private

⁴²Ibid., p. 9.

⁴³Covey T. Oliver, "The Alliance for Progress Moves On--A Report on Development Since the Summit Meeting," Department of State Bulletin, vol. 57 (Dec. 4, 1966), p. 758.

investment.

In the Charter of Punta del Este the United States agreed to "assist those participating countries whose development programs establish self-help measures and economic and social policies and programs consistent with the goals and principles of this Charter."⁴⁴ As shown by Chart 2, the United States economic assistance has been administered primarily through the Agency for International Development, the Export-Import Bank, Food for Peace, and the Social Progress Trust Fund, administered for the United States by the Inter-American Development Bank.

AID makes two types of loans in Latin America: project loans that are directed to specific and identifiable purposes and program lending which supports an economy in general.⁴⁵ Technical assistance, including United States experts from both public and private agencies, is administered by AID.

Export-Import Bank loans are generally at higher interest rates and for shorter terms than those of AID. The Bank provides hard loans primarily for the purchase of United States products to be used in Latin American development.⁴⁶

⁴⁴Inter-American Economic and Social Council, Alliance for Progress, p. 14.

⁴⁵Agency for International Development, U.S. Foreign Aid and the Alliance for Progress (Washington, D.C.: Agency for International Development, 1967), p. 8.

⁴⁶Robert Burr, Our Troubled Hemisphere (Washington, D.C.: The Brookings Institution, 1967), p. 184.

CHART 2

TOTAL U.S. ECONOMIC ASSISTANCE TO LATIN AMERICA

Fiscal Years Ending June 30	AID	Ex-Im Bank	Food for Peace	SPTF	Other Sources	Total
1960	105	105	45	-	86	341
1961	254	450	146	-	2	852
1962	478	109	130	226	120	1,063
1963	552	67	174	127	79	1,000
1964	613	170	339	42	83	1,246
1965	532	166	113	101	284	1,196
1966	647	226	202	24	288	1,388
1967	581	400	87	-	280	1,348

Commitments in Millions of United States Dollars (Including Alliance and non-Alliance countries)

AID is the Agency for International Development.

SPTF is the Social Progress Trust Fund, administered for the United States by the Inter-American Development Bank (IDB).

Other Sources include the Peace Corps; grants for the construction of the Inter-American Highway, and allocations of \$250 million per year, for 1965, 1966, 1967, to the Fund for Special Operations, administered by IDB.

Since the figures are rounded, they may not add to the totals.

Source: U.S. Department of State, Commitment for Progress (Washington, D.C.: U.S. Government Printing Office, 1967), p. 30.

Food for Peace is a program through which surplus foods are supplied by the United States Department of Agriculture and their use overseas is administered by AID. Self-help is encouraged through this program since surplus food commodities are used as partial payment of wages.⁴⁷ Other methods of supplying United States government funds for use in the Alliance include the Peace Corps, which is attempting to translate the cooperative spirit of the Alliance into concrete achievements.

Chart 2 shows the total amount of economic assistance from the United States public sources since the establishment of the Alliance in 1960 and the various methods and channels through which it is administered. Although the figures may seem large, they are actually a very small per centage of our total foreign aid commitment and, as noted by Kalman Silvert, less money for nineteen countries than Soviet Russia extends to Cuba alone.⁴⁸

Several international agencies, as illustrated in Chart 3, also contribute economic assistance for the development of Latin America under the Alliance for Progress. These include: the Inter-American Development Bank, administering the Fund for Special Operations and the

⁴⁷Agency for International Development, The Alliance for Progress...An American Partnership (Washington, D.C.: Agency for International Development, 1965), p. 24.

⁴⁸Kalman H. Silvert, The Conflict Society (New York: American Universities Field Staff, 1966), p. 239.

CHART 3

ECONOMIC ASSISTANCE TO LATIN AMERICA BY INTERNATIONAL AGENCIES

Fiscal Years Ending June 30	IDB	IBRD	IDA	UNEPTA (UNTA)	UNSF	UNICEF	IFC	EEC	Total
1960	-	134	-	9	12	NA	13	-	168
1961	66	131	28	10	21	8	3	4	271
1962	141	410	31	10	21	8	8	5	634
1963	191	123	11	12	19	10	10	6	382
1964	131	258	12	20	16	9	7	10	463
1965	240	212	18	15	32	7	10	8	542
1966	369	375	8	14	46	5	24	11	852
1967 estimate	400	250	-	14	45	NA	20	11	740

In millions of United States Dollars

Data are for calendar year ended in the fiscal year shown.
The figures in above chart cover both Alliance and non-Alliance countries.
Since the figures are rounded, they may not add to the totals.

Abbreviations Explained

- NA - Data not available.
- IDB - The Inter-American Development Bank, administering the Fund for Special Operations and the Ordinary Capital Fund.
- IBRD - The International Bank for Reconstruction and Development (The World Bank)
- IFC - The International Finance Corporation, an affiliate of the World Bank.
- IDA - The International Development Association, an affiliate of the World Bank.
- UNEPTA (UNTA) - The United Nations Expanded Program of Technical Assistance.
- UNSF - United Nations Special Fund.
- EEC - The European Economic Community.
- UNICEF - The United Nations Children's Emergency Fund.

Source: U.S. Department of State, Commitment for Progress (Washington, D.C.: U.S. Government Printing Office, 1967), p. 31.

Ordinary Capital Fund; the International Bank for Reconstruction and Development (the World Bank); the International Finance Corporation, an affiliate of the World Bank; the United Nations Expanded Program of Technical Assistance; United Nations Special Fund; International Development Association, an affiliate of the World Bank; European Economic Community; and the United Nations Children's Emergency Fund.

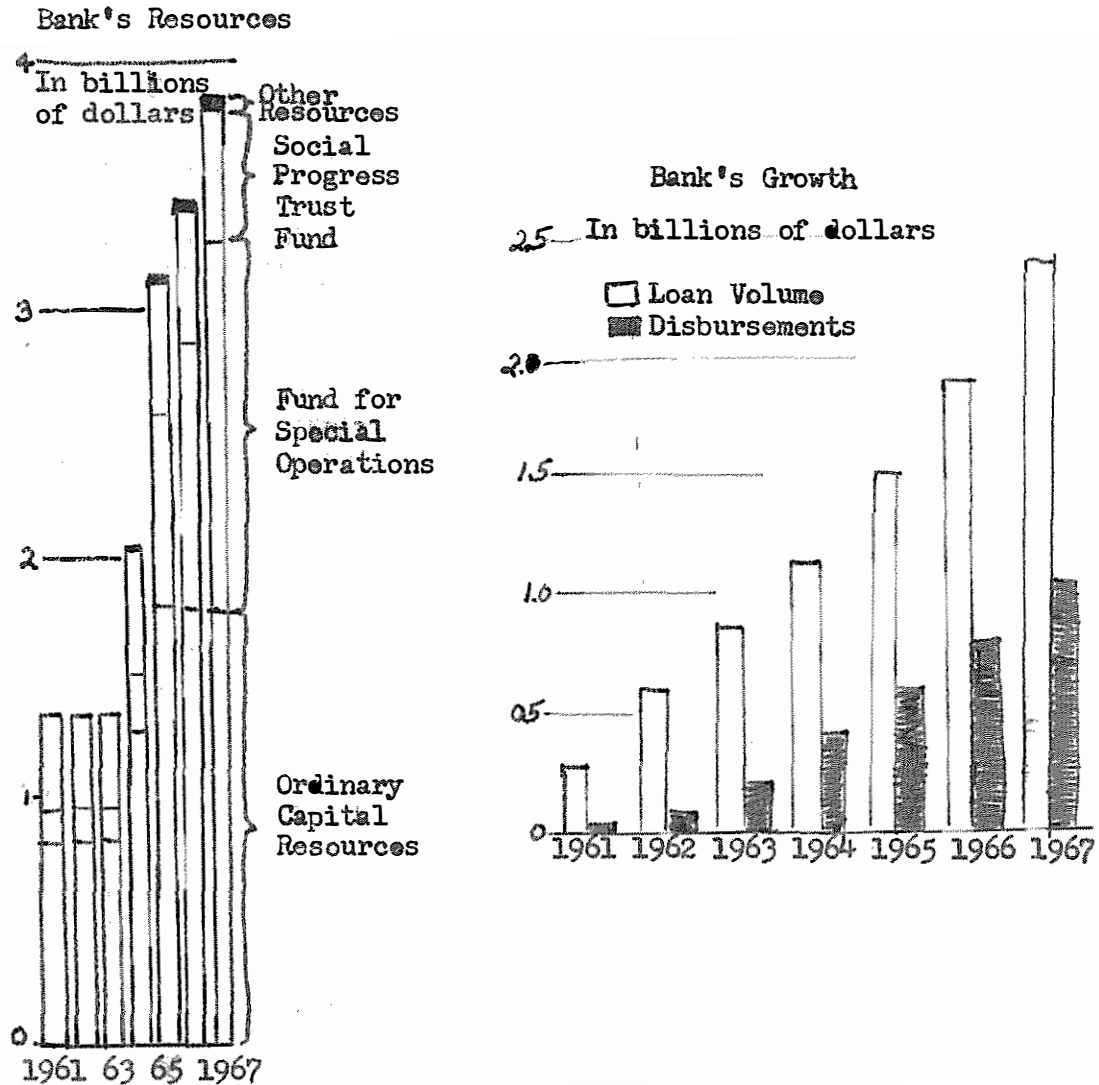
The Inter-American Development Bank is a regional hemispheric institution created by the member states of the OAS in 1960. The Bank extends loans to member governments from its ordinary capital resources and the Fund for Special Operations for projects.⁴⁹ The Bank also administers the Social Progress Trust Fund which is financed by the United States. The role of the Bank has been vital in the Alliance, and through its loans and assistance in helping to obtain loans from other sources it has done much to forward the objectives of the Alliance. Chart 4 shows the Bank's resources since the establishment of the Alliance.

The World Bank and its affiliates, the International Finance Corporation and the International Development Association, are deeply involved in Latin American development and are the major instruments for attracting capital from industrial countries to Latin America. Originally

⁴⁹AID, The Alliance for Progress...An American Partnership, p. 28.

CHART 4

THE INTER-AMERICAN DEVELOPMENT BANK



Source: John H. Allan, "How Much Progress by Latin Bank?" New York Times, vol. 117 (April 21, 1968), pp. F1, F9.

the World Bank operated as a commercial institution, lending only to projects that would repay promptly and with interest. The International Development Association in recent years has been empowered to make loans for important development projects even if they can not be expected to produce profits.⁵⁰

The United Nations agencies provide funds for Latin American development and attempt to improve relations between participating countries and to coordinate Latin American needs with United Nations agencies.

The European Economic Community contributions are an example of the world wide interest in the experiment in developmental assistance being carried out among the nations of the Western Hemisphere. The necessity of cooperation and assistance from such groups was recognized anew in 1967 when the Fifth Annual Meeting of the Inter-American Economic and Social Council approved the formation of a high ranking committee representing the OAS members to visit Europe to obtain cooperation from the European countries.⁵¹

Ninety per cent of the money that Latin American countries have received under the Alliance has been in the form of loans.⁵² The policy seems wise since the giving of large

⁵⁰Ibid.

⁵¹Inter-American Economic and Social Council, Final Report of the Fifth Annual Meeting of the Inter-American Economic and Social Council, Vina del Mar, Chile, June 15-24, 1967 (Washington, D.C.: Pan American Union, 1967), p. 29.

⁵²John Gerassi, The Great Fear in Latin America (New York: Collier Books, 1965), p. 281.

amounts of money in grants sometimes tends to encourage financial mismanagement and the inefficient use of domestic resources.

The assistance funds of the Alliance are very unevenly distributed among the various countries of Latin America since there is an attempt made to help those countries who apply the self-help principle. Our pattern of assistance--65 per cent of which has been concentrated in Brazil, Chile, and Colombia--demonstrates our determination to help those who help themselves.⁵³ The countries that have formulated national development plans in accordance with the goals of the Charter of Punta del Este have generally received the largest amounts of assistance. Where countries have not been willing to take steps to carry out their responsibilities in the Alliance, aid from the United States has not been forthcoming.

Under the Alliance the major amount--80 percent--of the funds to be used in development have been provided by the Latin American nations themselves.⁵⁴ It seems from this figure that the Latin Americans have done their share to promote their development.

Private investment, both Latin American and United States, has an important role in the Alliance program.

⁵³Henrietta and Nelson Poynter, eds., Congressional Quarterly Almanac, vol. 22 (1966), p. 1238.

⁵⁴Pan American Union, The Inter-American System, p. 19.

Although the role of private investment was not greatly emphasized in the Charter, it is evident that such investment is necessary for any type of development. If real development is to come about, industry and other private businesses must develop so that the economy can become self-sustaining and not require foreign assistance. During the first years of the Alliance operation the needed emphasis was not given to private business. The massive flight of native capital abroad and the reluctance of private United States investors to put money into Latin America was a near disaster for the Alliance program.⁵⁵ The first four years of Alliance operation saw private investment of only \$300 million, some \$900 million short of minimum conservative projections.⁵⁶

During this time there to be an active discouragement of private capital by the Latin American countries. But with the drastic decline of foreign investments and the sizable flight of domestic capital from Latin American, measures had to be taken. When the President recommended his Foreign Aid Bill to Congress in 1963 he said that "the primary initiative in this year's program relates to our increased efforts to encourage the investment of private

⁵⁵U.S., Congress, Joint Economic Committee, Economic Development in South America, Hearings before the Subcommittee on Inter-American Economic Relationships of the Joint Economic Committee pursuant to sec. 5 (a) of Public Law 304 (79th Cong.), 89th Cong., 2nd sess., 1962, p.4.

⁵⁶Simon G. Hanson, "The Alliance for Progress: the Fourth Year," Inter-American Economic Affairs, vol. 20 (Autumn, 1966), p. 73.

capital in the underdeveloped countries."⁵⁷

With a recognition of the problems caused by a lack of private investment in Latin America both the United States and the Latin American countries introduced measures to improve the situation. Latin American countries tried to make themselves more attractive to private investors. Devices for promoting United States business investment in Latin America were developed by AID. Today, the conditions of private investment in Latin America have improved and private enterprise is playing an effective role in the Alliance.

David Rockefeller pointed out the important role of private investment in Latin America:

The ultimate success or failure of the Alliance in Latin America will be determined by the attitudes and actions of the business community in the United States and Latin America. Without the enlightened cooperation of private investors--which provide 80 per cent of the GNP in Latin America--the growth pattern of the Alliance is unlikely to be realized.⁵⁸

The beneficial secondary effects of private investment in a developing country cannot be overlooked: demand created, technical and managerial know-how imparted, employee and community services provided, jobs created, goods and services produced, taxes paid to local governments, and various intangibles provided by foreign investment.

⁵⁷Edward S. Mason, Foreign Aid and Foreign Policy (New York: Harper and Row, 1964), p. 90.

⁵⁸David Rockefeller, "What Private Enterprise Means to Latin America," Foreign Affairs, vol. 44 (April, 1966), p. 403.

Several noteworthy organizations have been created to encourage private investment and participation of all peoples in the Alliance program. The Pan-American Development Foundation is a hemisphere-wide, private, nonprofit group established to enable private citizens, businesses, and community organizations to play a direct role in the Alliance for Progress. The Pan-American Development Foundation was established at the initiative of the General Secretariat of OAS and identifies projects contributing to the success of the common effort and channels toward them support obtained from private sources.⁵⁹

The Council of Latin America is an organization of several hundred United States businessmen, headed by David Rockefeller, whose chief activity is searching for new projects which would make suitable joint ventures between United States and Latin American firms.⁶⁰

The Atlantic Development Group for Latin American Investment Company (ADELA) was formed in 1964 as a "multi-national equity capital investment company, subscribed to by 54 of the largest companies in Europe, Japan, and North America."⁶¹ The company will joint with Latin American

⁵⁹ Pan American Development Foundation, The Pan American Development Foundation (Washington, D.C.: Pan American Development Foundation, n.d.), p. 1-4.

⁶⁰ Sol M. Linowitz, "The Alliance Is People," International Commerce, vol. 73 (Aug. 21, 1967), p. 7.

⁶¹ Chamber of Commerce of the United States, The Alliance for Progress (Washington, D.C.: Chamber of Commerce of the United States, 1965), p. 21.

entrepreneurs in financing new and expanded business operations. Although it seeks a return from its capital, its major purpose is to provide a new method to help strengthen the Latin American private sector.

In 1964, AID organized the Partners of the Alliance as a method of involving private citizens in action programs of mutual assistance. This program encourages direct participation by people in the United States with people in Latin America, an essential element of the Alliance program. Probably the most important result of this program is a growing understanding of attitudes and problems and the establishment of a working relationship.⁶²

* * *

A survey of the financial resources of the Alliance shows the participation of all sectors in the program. Actually United States aid could be easily increased--but the main barriers to such increases are probably psychological and political. In any case, if the Alliance is to be a self-help program, the Latin Americans should be supplying the majority of the money as is now the case..

The distribution of aid under a program like the Alliance is difficult since the desired results for both the United States and the Latin American countries must be considered. Although most of the recommendations concerning

⁶²Ibid., p. 22.

the distribution of aid are made by CIAP in its annual reviews of progress, the United States Congress and President, as well as the agencies distributing the money, must make decisions concerning where the money can most valuably be used. Some considerations involved in the distribution of aid include: forwarding of the Act of Bogotá and the Charter of Punta del Este, extent of self-help, goals of economic and social as well as political development and reform, economic and technical soundness of the activity, consistency with other development activities; and contributions to long-range goals of the United States and the Latin American countries.

The results that can be expected from any foreign aid program--but especially a program of developmental aid like that of the Alliance--are always somewhat uncertain. And the temptation to expect too much of an underdeveloped nation is always present. But apparently the United States has decided that the Alliance for Progress is worth the effort: President Johnson sent a message to the Special Inter-American Conference of foreign ministers at Rio de Janeiro in November, 1965, stating that the United States was prepared to extend the mutual commitment beyond 1971, the original date of termination of the Alliance for Progress.⁶³

⁶³Ronald M. Schneider, "Latin American Panorama," Headline Series, no. 178 (Aug., 1966), p. 29.

CHAPTER 4

THE ALLIANCE FOR PROGRESS IN OPERATION

Analyzing the success or failure of a program as massive and far reaching as that of the Alliance for Progress is impossible. First, there is the problem of deciding what can realistically be expected from such a program. It is unrealistic to expect the Latin American countries to develop into socially and economically (as well as politically) viable societies in the few short years of Alliance effort. Another problem involves the measurement of the achievements and failures of a development program. Statistics seem inaccurate for such a job since the number of miles of roads built, of schools constructed, of health clinics expanded, etc. is inadequate to show the achievements of the overall program.

What the United States and each Latin American country expects from the Alliance is conditioned by its needs, its traditions, and its historical involvements with similar programs. Thus each country enters the Alliance with different expectations and different approaches to the program. The problem is amplified since even experts disagree on the best method for accelerating development.

The most effective way to analyze the success of the Alliance would be a country by country approach: but sufficient material is not available for such an approach and time does not allow such extensive coverage. But valid conclusions can be drawn from examining the development of Latin America as a whole. This is the method to be followed.

The first section will discuss the problems of the United States in relation to the Alliance. Then the problems of change and the achievements of the Alliance in Latin America will be examined in three areas: the social, the economic, and the political.

* * *

President Kennedy understood the type of program he was proposing and the problems and challenges that would be involved in the Alliance. Several of his statements illustrate this. "They (the Latin American nations and peoples) face great problems and I'm hopeful that the United States will be persistent in supporting the Alliance for Progress and not expect that suddenly the problems of Latin America, which have been with us and with them for so many years, can suddenly be solved overnight."⁶⁴ For success in the Alliance "there is going to have to be a lot of patience, forbearance and understanding in the United States as well as firm requirement that the Latin

⁶⁴John Kennedy, "Transcript of the President's News Conference on Foreign and Domestic Matters," New York Times, vol. 111 (June 15, 1962), p. 10.

Americans do their part and be fair with us."⁶⁵

The first problems that confronted the United States and the Alliance should have been anticipated. The architects of the Alliance underestimated the human, financial, and political resources required to prod Latin America into rapid modernization. The original concept as embodied in the Charter of Punta del Este was overoptimistic and overambitious. The initial enthusiasms at Punta del Este rapidly faded in both the United States and in Latin America as the immense task of getting the Alliance underway began. The United States bogged down creating the centralized government bureaucracy for the Alliance.⁶⁶

In the beginning the United States committed its government and its tax dollars to the Alliance, but not its greater resources of private values, leadership, skills, and capital. The United States did not exert the needed leadership immediately and failed to clarify its position in relation to the Alliance. But the principle error made by the United States was believing that money--foreign aid dollars--could take care of everything.

President Kennedy remained confident throughout and constantly urged that the problems be viewed in perspective of the nature of the problems to be confronted both in the

⁶⁵"Backward Progress in the Alliance," New York Times, vol. 111 (June 15, 1962), p. 7.

⁶⁶U.S., Congress, Joint Economic Committee, Economic Development in South America, p. 61.

United States and in Latin America.⁶⁷

The problem of the orientation of the Alliance in its early years was severe. Two separate challenges faced the Western Hemisphere: the long-range challenge of poverty, hunger, and disease, and the immediate challenge of the Communist base in Cuba. Of necessity the second danger tended to dominate the early years of the Alliance. The United States vacillated in its policy toward the Alliance and the distribution of aid throughout the early 1960's. Also, because of the lack of a strong multilateral coordinating agency, the operations of the Alliance became bilateral during these years as the United States dominated the Alliance through its distribution of aid. But with the creation of CIAP the Alliance obtained the multilateral body needed for administration and coordination.

Latin Americans regarded the assassination of President Kennedy as a tragic blow to the prospects of the Alliance for Progress and watched carefully to see whether President Johnson's commitments in Latin America would be as deep as those of his predecessor. With the death of Kennedy, the Alliance was deprived of its political, intellectual, and spiritual leadership. As highly pragmatic as President Kennedy's policies had been, they had also been imbued with a determination to assert American moral leadership in the

⁶⁷ Richard P. Stebbins, The United States in World Affairs - 1962 (New York: Harper and Brothers, 1963), p. 294.

Western Hemisphere.⁶⁸ Kennedy had made bold use of foreign aid as leverage for persuading governments to undertake institutional and financial reforms. He had also possessed the political mystique that was necessary to make the Alliance popular in Latin America.

The Johnson Administration took over the pragmatic emphasis of the Kennedy Administration but the moral overtones soon faded. On March 14, 1964, when Johnson spoke to renew the United States pledge to the Alliance the Latin Americans were disappointed that there was no reference to Latin American revolutionary pressures and the relationship between the economic development effort and the political realities of the hemisphere. The Latins had hoped for a strong reaffirmation of United States political and ideological leadership in the Latin American revolution.⁶⁹ Although the President's speech was meant to allay Latin American fears that Latin America no longer commanded the political attention it had during the Kennedy Administration, it did not accomplish its purpose. The greater concentration on private investment during this time also was discouraging to the Latins. The Johnson Administration did not concentrate on stirring the Latin Americans psychologically toward

⁶⁸ Richard P. Stebbins, The United States in World Affairs - 1964 (New York: Harper and Brothers, 1965), p. 191.

⁶⁹ Tad Szulc, "Johnson Renews Pledge to Latins: Sees a Bright Future," New York Times, vol. 113 (March 17, 1962), p. 16.

greater personal and national involvement but rather on the practical measures necessary to achieve greater mobilization and coordination to carry out the programs of the Alliance.

By 1967 and the meeting of the Presidents of the Americas, many of these problems had been overcome. By 1967 the Alliance was moving out of its first stage of organization and mobilization for development and into its second stage that would include the strengthening or creation of common institutions in each country, and as President Johnson said: "will cut to the heart of the problems--the modernization of overprotected Latin American industry, underfinanced Latin American agriculture and education."⁷⁰

Today the United States has solved most of its problems concerning the Alliance. The years of experience have definitely not been wasted. The magnitude of the task has been clarified and the limitations of what foreign aid can accomplish are better understood. The United States seems ready to accept the responsibility ahead as indicated by the widespread support given to the Alliance in editorials across the nation.⁷¹ Firm foundations for inter-American cooperation for the difficult task ahead have been established.

* * *

⁷⁰"American Chiefs of State Meet at Punta del Este," Department of State Bulletin, vol. 56 (May 8, 1967), p. 712.

⁷¹Covey T. Oliver, "The Business of Development," Department of State Bulletin, vol. 57 (Oct. 9, 1967), p. 471.

The principle social reforms listed as objectives of the Charter of Punta del Este include: making the benefits of economic progress available to all citizens, raising more rapidly the income and standard of living of the needier sections; encouraging comprehensive agrarian reforms; elimination of adult illiteracy and the assurance of a minimum access to six years of primary education for school-age children by 1970; increased life expectancy at birth by a minimum of five years, and improvement of individual and public health; and increasing construction of low-cost houses for low-income families.⁷² In the Action Program adopted by the Presidents of the American republics in 1967, the following social reforms were emphasized: modernization of living conditions of rural populations; increased agricultural productivity, and increased food production; vigorous promotion of education for development; the harnessing of science and technology for the service of the people; and expanded programs to improve the health of the people.⁷³

Information on how much has been achieved in these areas is scanty. It is often necessary to accept the opinions of well-documented secondary sources in judging fulfillment of the goals. Statistics are not always of great use since they are difficult to interpret and do not

⁷²Inter-American Economic and Social Council, Alliance for Progress, pp. 10-11.

⁷³U.S. Department of State, Commitment for Progress, pp. 12-13.

tell the entire Alliance story.

In order to achieve social reform, all the people of a country must be concerned and aware of the efforts being made. The problems involved in getting people to participate in these reforms were discussed at most meetings of the Inter-American Economic and Social Council. For the Alliance to succeed, since it seeks a social revolution, it has to be popularly supported. For development depends not only on money but on a spirit and a sense of participation in the life of one's country.

But the Alliance was not successful, at least at first, in generating an impact on the people and arousing popular enthusiasm. Even by 1965, the New York Times in its survey of the economy of Latin America concluded that the Alliance was essentially a concern of governments and had not yet acquired broad political or popular support.⁷⁴

The Alliance simply did not have the political mystique it needed to inspire the Latin Americans. Perhaps too much attention was focused on the technical approach to development. But for technical concepts to be carried out, it is necessary to arouse hope among the people and to conduct a crusade of political and social redemption that will capture the intellectual and emotional adherence of all the people. The Alliance must be understood and presented as what it is--

⁷⁴"Survey of the Economy of the Americas," New York Times, vol. 114 (Jan. 22, 1965), p. 45.

a program to bring economic and social development to the Latin American peoples. As President Johnson said:

Development is not just a matter of resources, or trade, or production, or even crops. Rather, in some mysterious way, a people--because they have great leaders and because they themselves are great--an entire people begin to stir, and to sacrifice and to work. And when they do, nations begin to move.⁷⁵

This is what is beginning to happen in Latin America today under the Alliance for Progress.

The problems of social reform and development in Latin America are many and varied. The gap between the privileged few and the underprivileged many causes social development to lag. The rise of social tensions in the countryside from discontented masses is accompanied by the growing strife in the cities expressing discontent with conditions in the industrial sectors. There has also been a noticable rise in expectations. Some of Latin America's most basic problems include the curbing of population growth--at present about 3 per cent per year, settling the rich and empty interiors in many countries, boosting farm output and reversing urban rot and deterioration.

The Alliance for Progress reveals an

Intuitive perception of the need to assure conditions of social flexibility and social promotion in Latin America. Its insistence on basic reforms is correct. In all the countries of Latin America . . . there

⁷⁵ Lyndon Johnson, Public Papers of the Presidents of the United States: Lyndon B. Johnson - 1965 (Washington, D. C.: U.S. Government Printing Office, 1966), p. 889.

are areas of dangerous rigidity.⁷⁶

Two very obvious areas of such rigidity are the agrarian structure and the urban industrial centers.

The social development aspects of the Alliance are designed to decrease the gap separating the upper and lower classes in Latin America. According to Sol Linowitz, an Alliance official, "the social welfare 'gap' in Latin America is narrowing."⁷⁷

Since the Alliance is designed to advance the welfare and freedom of the American peoples, education is an essential part of the Alliance program. In the final analysis, education must provide the basis for the transformation of the Latin American nations. The Alliance for Progress Information Team emphasizes the fact that the problem is not simply increasing allocations for education: rather a qualitative change is required from an excessive emphasis on humanistic culture to science and technology.⁷⁸ The waste in the present educational system, unrelated to manpower needs, underlies the importance of not only spending more but of spending more wisely on education. The role of education in the Alliance

⁷⁶Roberto de Oliveira Campos, Speech at the Inter-American Press Association Meeting, San Diego, California, Oct. 12, 1965, p. 1.

⁷⁷Sol M. Linowitz, "The Alliance for Progress: Dramatic Start and Hopeful Future," Department of State Bulletin, vol. 57 (Sept. 11, 1967), p. 323.

⁷⁸Alliance for Progress Information Team, Alliance for Progress Weekly Newsletter, vol. 6 (March 18, 1968), p. 1.

is an essential one since the real enemy of the Latin American people is ignorance which can be aided only by a good educational system.

Some progress, as noted by Riech Hannifer, has been made in the area of education. 29,000 classrooms accomodating 1,200,000 students have been built in Alliance countries with assistance from AID and the Social Progress Trust Fund, but about 50 per cent of Latin American school children are still not enrolled in primary schools. From 1961-1966 Latin American government expenditures for education rose 49 per cent with emphasis on this key area.⁷⁹

Agricultural reform and modernization are given priority in both documents of Alliance goals. But this has been one of the areas of least progress. Even though one-half of Latin America's people live in rural areas they are unable to produce enough food.⁸⁰ Reform of agriculture is essential for any real development and growth to occur in Latin America. A redistribution of farm lands is one needed reform. Two types of land distribution are commonly used: resettlement on public lands and redistribution of private lands. But land reform requires great political effort and the creation of new institutions and new patterns of behavior. The

⁷⁹Riech B. Hannifer, The Alliance for Progress: Background Information (Washington, D.C.: Library of Congress Legislative Reference Service, 1968), p. 5.

⁸⁰AID, U.S. Foreign Aid and the Alliance for Progress, p. 10.

involvement of landlords in politics complicates the issue. Both the United States and the Alliance strongly support all efforts at land reform and Latin American government spending in the area of agriculture has risen 32 per cent from 1961 to 1966.⁸¹

Improved living conditions and health facilities are two other essential areas of reform. United States assistance through the Alliance has resulted in 250,000 housing units in various states of planning or construction while public agencies and private interests are building 400,000 dwellings with their own resources--despite all this, housing deficit increases by one million units a year and no dent is being made in the accumulated deficit of 15 million units.⁸² The magnitude of the problem needs no further clarification. In the area of health, some improvements have been made and family planning and population studies are recent additions to methods used.

It is evident that reforms and advances are being made in the area of social reform and development. But, as noted by John Plank, the quality of life for most of the region has not been substantially improved as a result of Alliance initiative and programs.⁸³ For this reason the

⁸¹Hannifer, The Alliance for Progress: Background Information, p. 5.

⁸²Ibid., p. 4.

⁸³John N. Plank, The Alliance for Progress (N.p., 1967), p. 1.

Alliance has real meaning to few Latin Americans. Social reforms must receive increased emphasis in the future, for it is in social development and reform that the real goals of the Alliance are imbedded. At least a start has been made in social reforms and development--small as it may seem.

* * *

The economic reforms listed as objectives of the Alliance in the Charter of Punta del Este include: a rate of economic growth in every Latin American country of not less than 2.5 per cent per capita per year; achievement of a balanced diversification in national economic structures; acceleration of industrialization; a higher level of agricultural productivity; maintenance of stable price levels; strengthened economic integration; and development programs to prevent the harmful effects of excessive fluctuations in foreign exchange earnings from primary products.⁸⁴ In the Action Program of the Presidents of America the economic measures include: creation of a common market, multinational projects to lay the physical foundations for Latin American economic integration; increased Latin American foreign-trade earnings; and elimination of unnecessary military expenditures.⁸⁵ The shift in emphasis from bilateral to multilateral

⁸⁴Inter-American Economic and Social Council, Alliance for Progress, pp. 10-11.

⁸⁵U.S. Department of State, Commitment for Progress, pp. 12-13.

reforms is evident in the two documents.

The success of the Alliance in achieving these objectives is difficult to determine. One important step at least has been taken in all Latin American countries with the introduction of planning agencies and development studies. Without these organs little real economic progress can be expected. Before the introduction of the Alliance, many Latin American countries would not have used planning agencies or such reforms. Under the Alliance such studies are encouraged.

One major development problem is the rapidity with which Latin America should undertake basic reforms. It seems that the longer Latin America hesitates in undertaking genuine reform and development programs, the more drastic the programs must be when finally adopted.

Suitable economic development projects are often difficult to find, and local currency to match supplied funds is hard to raise. Irregularity and uneven growth must also be expected in development of this type. Although some critics such as Charles Anderson claim that the Alliance program has made no definite change in the economic roles and conditions in Latin American countries to date, it still appears that some accomplishments and achievements can be found.⁸⁶

When the Alliance was established in 1961 a goal of an

⁸⁶ Charles Anderson makes this statement in his book, Politics and Economic Change in Latin America (Princeton, N.J.: D. Van Nostrand Company, 1967), p. 355.

economic growth rate of 2.5 per cent per capita per year was stated. But, more important than that, a better distribution of gross national product was promised to narrow the gap between rich and poor. Without the latter achievement, the growth rate of 2.5 per cent would represent failure for the Alliance. The mere acceleration of a per capita growth rate without basic reforms is useless.

As illustrated by Chart 5, only in 1964 and 1965 was this goal of a 2.5 per cent growth rate obtained, and then only by Latin America as a whole and not by all countries. In 1964 and 1965 only about one-half of the nations reached this goal. The Sixth Annual Report of the Inter-American Development Bank estimated that during 1964 and 1965 per capita growth had achieved the 2.5 per cent target figure but pessimistically concluded:⁸⁷

"Only a few countries have sustained economic growth trends strong enough to assure achievement of the goals of the Alliance. With population growing at a rate in excess of 2.5 per cent per year, in 1964 12 countries had a growth rate of four per cent or more, of which 9 surpassed five per cent; while in 1965, 15 countries had exceeded four per cent of which 12 had in excess of five per cent."⁸⁷

The Bank also found that in most Latin American countries the economic growth rate was irregular, an indication that basic conditions for sustained economic progress had not been achieved.

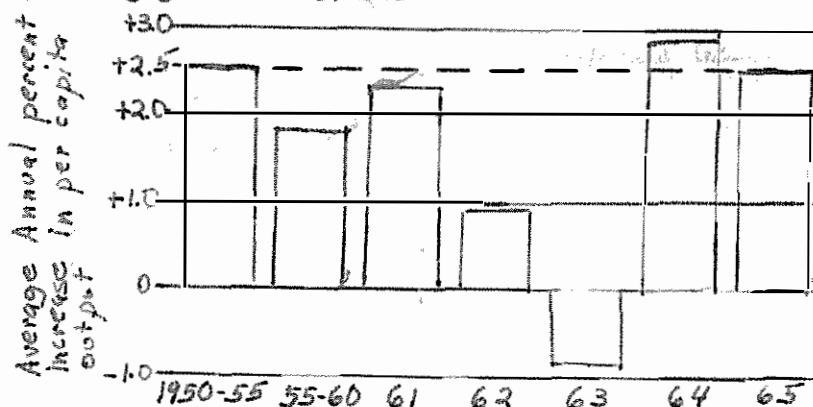
But by 1966 conditions seemed more hopeful according

⁸⁷Hanson, "The Alliance for Progress: the Fourth Year," p. 48.

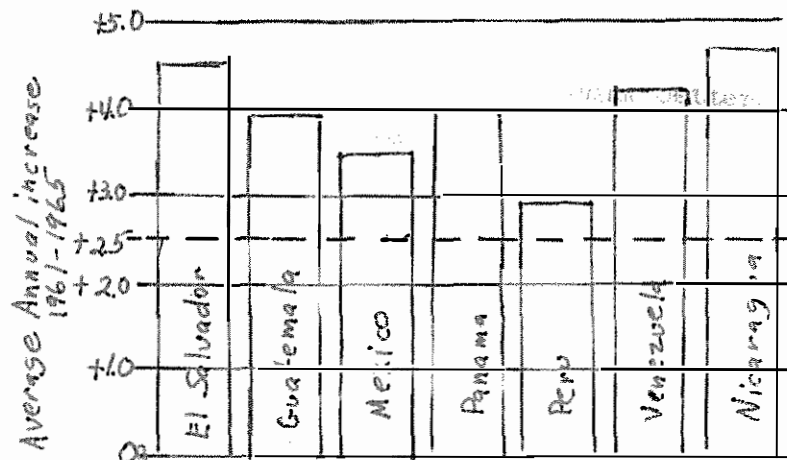
CHART 5

LATIN AMERICA'S OVERALL GROWTH RATE

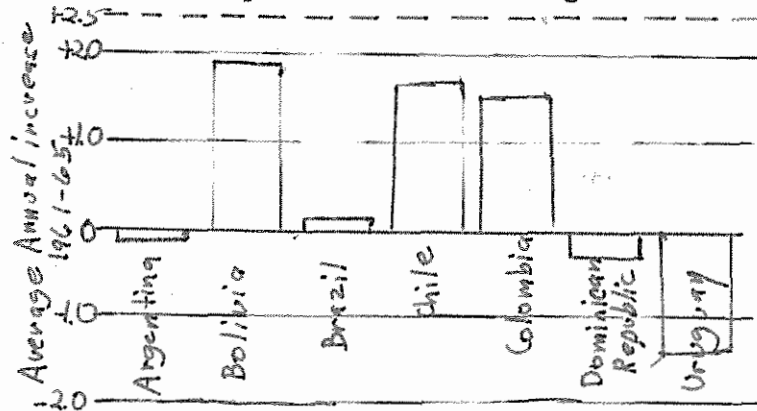
Overall growth rate is now reaching goal of 2.5% a year...



...a few nations are doing better...



...while some important countries lag.



Source: "Rocky Road for the Alliance," Business Week, no. 1919 (June 11, 1966), p. 126.

to Juan de Onis in the New York Times Economic Survey. He expressed his belief that the overall picture was one of sufficient growth to stay ahead of the population.⁸⁸ Mr. Frederick Harmon, editor of the Alliance for Progress Newsletter, also expressed his opinion in 1966 that industrial expansion and diversification were proceeding, though far too slowly.⁸⁹

The problem of inflation is one of the most serious facing the Latin American countries in the economic sphere since it is a major obstacle to rapid economic growth and integration and also causes misallocation of funds. Recently Latin American countries have become aware of this problem and attempted to deal with it. The importance of this problem is emphasized in a study carried out for the Senate Committee on Foreign Relations in 1967.⁹⁰ But, according to the New York Times Economic Survey of 1968, the Latin American countries have made progress in their attempts to contain inflation.⁹¹

Agricultural and tax reforms are two other areas of emphasis under the Alliance. Before reforms were introduced

⁸⁸"Survey of the Economy of the Americas," New York Times, vol. 115 (Jan. 28, 1966), p. 49.

⁸⁹Frederick Harmon, "The First Five Years," Americas, vol. 18 (Aug., 1966), p. 3.

⁹⁰U.S., Congress, Senate, Survey of the Alliance for Progress, 90th Cong., 1st sess., 1967.

⁹¹"Economic Survey of the Americas," New York Times, vol. 117 (Jan. 22, 1968), p. 54.

the tax system was not regulated and the rich upper classes paid no taxes. Most countries have now made structural reforms and improved their income tax laws and their administration. As a result of these reforms, tax and other public revenues have increased by 25 per cent in real terms since 1960.⁹² Agricultural reforms have also been carried out in many countries and have improved the use of land. Much, however, still remains to be done in both of these areas.

Most Latin American exports, as illustrated by Chart 6, are primary products. The problems involved with these exports of primary products are some of the most serious facing Latin America today. The demands for these products are uncertain and prices fluctuate greatly. In countries attempting development this fluctuation can be fatal. The Latin American countries realize the important role of these primary products in their economy and for this reason have made trade a major issue of the Alliance. If the Latin American countries are to have money to spend on development, prices of their exports must be stabilized at increased prices. A dependence on single product exports has led to unhealthy cycles in Latin American countries and for this reason exports must be expanded.

Chile's Finance Minister Eduardo Figueroa pointed out this problem at Punta del Este in 1961: "If there is a

⁹²Ibid., p. 54.

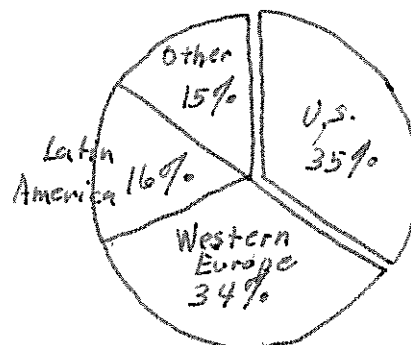
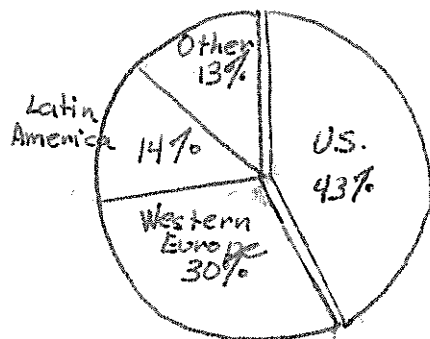
CHART 6

LATIN AMERICAN FOREIGN TRADE

Source of Latin American Imports Destination of Latin American Exports

19 Republics

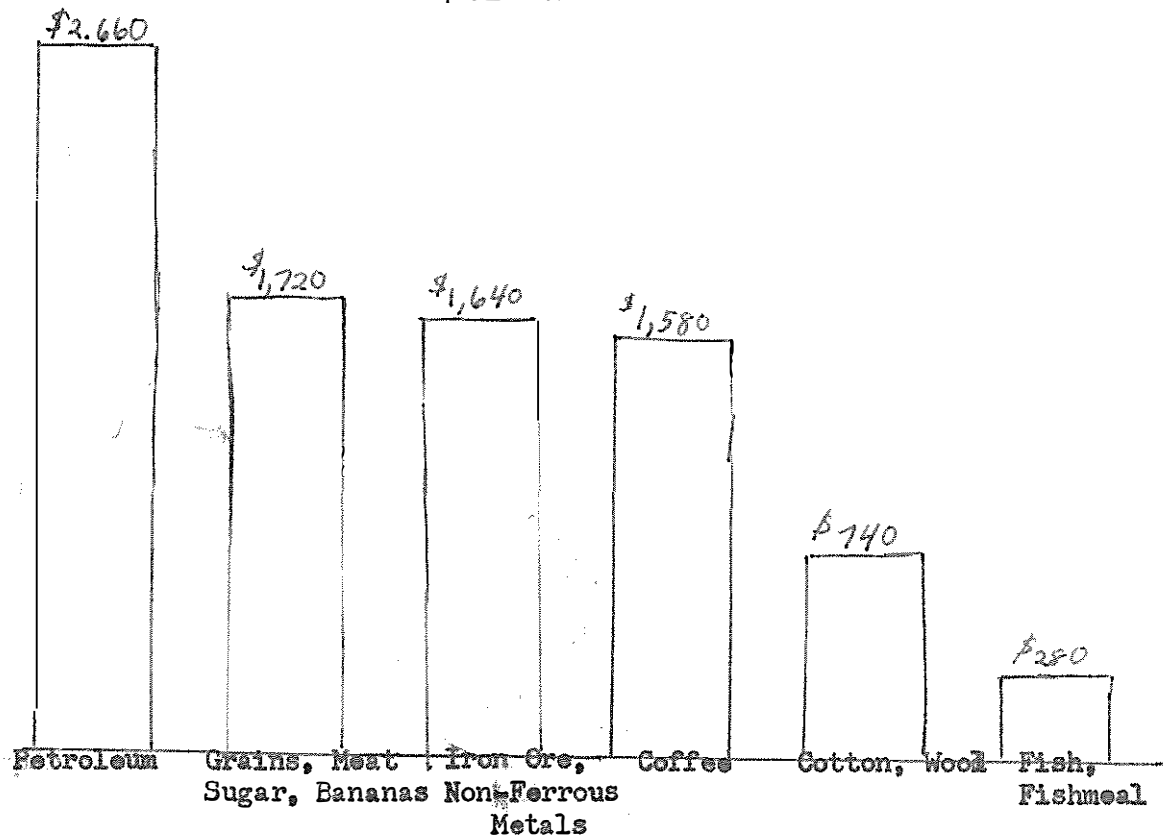
19 Republics



Latin America's Major Exports

19 Republics

\$ Millions



Source: Agency for International Development, Latin America - Economic Growth Trends (Washington, D.C.: Agency for International Development, 1967, p. 3).

genuine desire to collaborate in the process of Latin American development, the industrial countries must accept a system of preferences that would help us to place our exportable surpluses on the World Market."⁹³ The Latin American nations believe, rightly no doubt, that the world trading system favors developed nations, and that this situation must be changed because an increased access to foreign exchange is an important condition for sustained growth in Latin America.

Latin America has often requested more favorable trade relationships with the United States, but the United States has been unwilling to provide these. Robert Burr writes that if United States restrictions on imports of cattle and beef, lead, petroleum, and sugar were suspended the Latin American nations would be able to increase their exports to the United States by roughly the amount they now receive from it under the Alliance.⁹⁴ But the United States is unwilling to agree to such proposals.

The path chosen by the Alliance countries to improve their economic conditions is the creation of a Latin American Common Market. This was formally approved at the meeting of the American Presidents in 1967. The Common Market will provide an instrument by which Latin American trade conditions can be improved.

⁹³Gerassi, Great Fear in Latin America, p. 253.

⁹⁴Burr, Our Troubled Hemisphere, p. 161.

The Charter of Punta del Este not only approved the principle of economic integration for Latin America but declared the Montevideo Treaty, which formed LAFTA, and the Central American Customs Union appropriate instruments to attain such integration. The problems faced by these organizations working for integration are many: stabilization of currencies, establishment and coordination of financial policies, industries compete with rather than complement one another, the area is not able to support heavy industry, the nations are not all on the same development level, trade is disproportionate, the area does not form an economic region naturally, governments are slow to commit financial resources and delegate authority to regional institutions, and protectionist interests which resist establishment of a common policy for industrial development and free movement of labor.

The Central American Common Market which includes Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua is a true customs union which has eliminated the internal trade barriers between its members and established common external import tariffs for the rest of the world. LAFTA includes about eleven South American nations. Internal trade barriers have been eliminated, but individual countries still have individual tariffs for the rest of the world. Both of these groups are orientated toward the Alliance goal of diversification through regional integration.

At Punta del Este in 1967, the American Presidents agreed to create a common market progressively beginning in 1970 and to be substantially in operation by 1985. This has now been accepted as the answer to many Latin American economic problems. The two organizations now in operation will converge. The Declaration of the Presidents of America summarizes the expected results from such a program:

This great task will reinforce historic bonds, will promote industrial development and the strengthening of Latin American industrial enterprises, as well as more efficient production and new opportunities for employment, and will permit the region to play its deservedly significant role in world affairs. The ties of friendship among the peoples of the continent will thus be strengthened.⁹⁵

A start has been made on the solution of Latin America's economic problems. But there is still much to be done before the desired results are obtained. The creation of a common market will provide an excellent device for the future economic development of Latin America.

* * *

Pat M. Holt, in his study of the political aspects of the Alliance for Progress for the United States Senate Committee on Foreign Relations, maintains that political issues have been involved in the entire history of inter-American relations. But, Mr. Holt feels that political issues have been applied too cynically or too naively or not at all. Holt maintains that the real interest of the

⁹⁵ Department of State, Commitment for Progress, p. 12.

United States in Latin America is neither economic nor social but rather political and that the true interests of the United States lies in helping Latin American countries find a middle way between the caudillos or military strongmen and the Communists.⁹⁶ Although the point is over-emphasized here, it appears that the political implications of the Alliance are often overlooked. Although the Alliance is not avowedly political in intent, its success or failure in the political sphere will profoundly influence its achievements in the economic and social development of the hemisphere. One possible measuring stick of the success of the Alliance will be its success in translating the danger of Communist and the leftist military tradition into effectively affirmative policies of government.

United States policy in supporting governments in Latin America, has been somewhat uncertain. The United States has at times been forced to support military regimes because of unusual circumstances. But the United States has attempted in its distribution of foreign aid funds to maintain special considerations for countries with constitutional democracy.⁹⁷ More attention needs to be given to political development under the Alliance. If Latin America

⁹⁶U.S. Senate, Survey of the Alliance for Progress, Pat M. Holt, "The Political Aspects," 90th Cong., 1st sess., 1967, pp. 2-3.

⁹⁷Juan de Onis, "Linowitz Given Latin Policy Aims," New York Times, vol. 116 (March 28, 1967), p. 13.

is to proceed toward democratic government, political persuasion may be needed along with social and economic development.

The political problems encountered by the Alliance are often insurmountable. Many Latin American governments are unable to take effective action under the Alliance because the upper privileged classes control the government and use the Alliance for their own advantage. The aims of the Alliance have often been frustrated by the machinations of the stubborn and resourceful Latin American oligarchy, who fear the Alliance since it threatens their power. The Alliance has tried indirectly to come to grips with the problem of the concentration of political and economic power in the hands of a small minority of the population. The manner in which this problem is dealt with will determine to a great extent whether the Alliance is a success or a failure.

The Communists and the military are two of the greatest threats to the Alliance in Latin America. The military plays an important role in Latin America and absorbs resources that could be used elsewhere for development. The military generally plays a decisive role in Latin American politics and is generally a nondemocratic force. The role and influence of the military in government must be reduced.

In terms of both force levels and military expenditures Latin America has the smallest defense establishment

in any region of the world.⁹⁸ The United States gives military aid to the Latin nations. This is done to fortify Latin America against Communist attacks. But, while the threat of Communist attacks is being eliminated, the power of the military is increasing.

Another constant threat to Alliance success in Latin America is the Cuban-based Communist threat of penetration, subversion, and terror. The United States has attempted to shore up the Latin American governments so they are able to deal with this threat.

President Kennedy in 1961 recognized these problems and stated that "elimination of tyranny from the north to the south is one of the essential goals of hemispheric policy."⁹⁹ It seems that political development was an implied goal of the Alliance. Without this development social and economic development would not be possible. But there are evidences that political development has been occurring in Latin America along with economic and social development.

The problem in Latin America today is as stated by Stefan Robock, "one of reducing political explosions and political resistance to necessary development activities."¹⁰⁰

⁹⁸Robert McNamara, "McNamara Seems as Poorly Informed on Latin America's Military as on Vietnam," I.F. Stone's Weekly (Feb. 19, 1968), p. 2.

⁹⁹Stebbins, U.S. In World Affairs - 1962, p. 273.

¹⁰⁰Stefan Robock, Brazil's Developing Northeast (Washington, D.C.: Brookings Institution, 1963), p. 198.

Mr. Holt defines political development in the following manner:

It means the growth of the institutions and processes through which people organize themselves to carry on their political activities--the day-to-day work of government and the way in which changes in governments and in public policy come about. The goal of political development is the growth of stable political systems in which there is broad popular participation and which are generally responsive to the wishes of the people. This encompasses a good deal more than elections and political parties. It includes civic and economic organizations--pressure groups--of all kinds.¹⁰¹

This kind of development is taking place in Latin America today. Many Latin American leaders are dedicated to the revolutionary goals of the Alliance, personally as well as officially. In his address to Congress on March 13, 1967, President Johnson noted the "emergence of a vigorous, competent, and confident new generation of Latin American leaders."¹⁰²

The Alliance has also provided political objectives for the intellectuals and moderates in Latin America. Most of these groups are firmly behind the Alliance and support its programs of development.

Because of Alliance efforts there has been a distinct trend to more stable and more representative governments coupled with an increasing readiness of political leaders to make and support decisions essential to development.

¹⁰¹U.S. Senate, Survey of the Alliance for Progress, p. 15.

¹⁰²U.S., Congress, Senate, Journal of the Senate of the United States of America, 90th Cong., 1st sess., 1967, p. 248.

There is an increasing engagement on all levels of society. According to Mr. Oliver, United States Coordinator of the Alliance, Latin America is enjoying an unprecedented period of economic and political stability.¹⁰³ For the first time in 25 years there was no revolution in any Latin American country in 1967.¹⁰⁴

However, as in the social and economic areas, there is a great deal to yet be done. But a start has been made in all areas of Alliance effort.

¹⁰³Covey T. Oliver, "The Heartlands of the Home Hemisphere," Speech to the Indiana Partners of the Alliance and Sigma Delta Theta Society, Indianapolis, Indiana, March 11, 1968, p. 9.

¹⁰⁴"Economic Survey of the Americas," (Jan. 22, 1968), p. 56.

CHAPTER 5

THE FUTURE OF THE ALLIANCE FOR PROGRESS

Despite the fact that the Alliance for Progress has not achieved its objectives--and probably will not for many years to come--there are many valid reasons for continuing the program. Since a few short years of a policy change and national development are not a long enough period in which to judge the success of a program designed to accomplish a social revolution, much of the present criticism of the Alliance is too short sighted.

Certain factors on which the future of the Alliance depends can be cited. These hinge factors will determine the role of the Alliance in future inter-American relations and its success or failure.

Multilateral leadership is the most important factor in the future of the Alliance. Latin Americans will not accept or cooperate wholeheartedly with the Alliance unless its multilateral nature and leadership is established. The Alliance program must not degenerate into simply another United States aid program.

The commitment and cooperation of all Latin Americans is an essential factor for the future success of the

Alliance. Without the cooperation of all sectors of society--trade unions, student federations, peasants, government officials, etc.--the Alliance can never succeed. The Latin American people must be able to identify with the Alliance and its programs. More effort is needed to provide this sense of identity among the Latin American people.

An awareness of and an emphasis on the political implications of the Alliance program must play an increased role in the future of the Alliance. Attempts to break down the concentration of political and economic power among a few people must be made. More support should be given to political democracies since the Alliance can best achieve its objectives under such a government.

The successfulness of the attempt at Latin American economic integration will greatly affect the future of the Alliance program. This seems to be the best method to improve the economic conditions in Latin America, and if this attempt fails, the future of the Alliance program will be uncertain. Increased and constant efforts must also be made to improve external trading conditions for the Latin American nations since without this improvement sustained Latin American development and independent growth is impossible..

The channelling of funds through the Alliance apparatus must be carefully and thoughtfully carried out. Funds must be channelled to the appropriate area to achieve desired

results. Efforts must be concentrated in agriculture, health, and education--essential areas of the Alliance program--and money must not be used simply to support a faltering government economy. Increases in other than monetary aid are also essential. Technical assistance and skilled manpower are in many cases more important to the development of Latin America than foreign aid funds.

Also necessary under a program such as that of the Alliance is the application of patience and pragmatism by all concerned parties. The United States must not be afraid to commit its foreign aid funds for development programs--even if every project is not successful and money is sometimes lost. The United States must not expect the impossible from the Latin American people and their governments. Progress will sometimes seem slow since development does not happen in a few short years.

Latin Americans must be willing to give the Alliance a fair chance. They must be experimental in their approach to development and patient about expected results. But most important of all they must dedicate themselves to the task ahead: that of achieving social, economic, and political development and reform in their countries.

In any case it seems that the Alliance for Progress should be continued. It has not failed as an experimental approach to foreign aid. And since the Summit Conference at Punta del Este in April, 1967, the Alliance seems to

have new life and new possibilities for the future. Now that the essential administrative machinery has been developed and everyone understands better the nature of the task ahead and the resources needed to deal with it, the Alliance faces a bright future.

Covey, Oliver, United States Coordinator of the Alliance for Progress, emphasized this point in December, 1967:

While progress has certainly not been adequate to satisfy the tremendous needs of the people, it has been sufficient to assure the hemisphere that we are on the right track. There is a growing confidence that though today's problems sometimes seem insurmountable, the Alliance for Progress goals can be reached through the peaceful revolution that is now underway.¹⁰⁵

According to Edward Mason, the Alliance is gaining ground in Latin America. He writes: "The forces behind the Alliance in Latin America are real and potent forces, and it is highly probable that the future belongs to them."¹⁰⁶

The effect of and the nature of the Alliance for Progress is unique and the results of the program will also be unique. Pessimism or cynicism concerning the Alliance effort can only hurt the effort and not help it. While valid criticism is needed, defeatism is not. The years ahead will require much effort, and dedication from all concerned. If the Alliance for Progress succeeds,

¹⁰⁵Oliver, "The Alliance for Progress Moves On - A Report on Development Since the Summit Meeting," p. 754.

¹⁰⁶Mason, Foreign Aid and Foreign Policy, p. 106.

not only the Western Hemisphere, but the entire world, will benefit.

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