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Executive Secretary

12/9/68

Memo:

To: Dr. Kissinger

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12/9 411

ROBERT C. HILL

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November 27, 1968

My dear Mr. President Elect:

On Saturday, November 9, 1968, I met with the Ambassador of Chile to the United States, Dr. Santa Maria, and representatives of his government including the Minister of Finance, at the Miami International Airport. They were en route to Chile. As I told Miss Woods, it was only a courtesy visit. They, of course, had several questions. I made it clear that no one could speak for you at the present time.

The three questions that were of interest were as follows:

1. Your statement of Trade not A.I.D. I pointed out that this had been quoted out of context, and I read from your public statements on A.I.D. This appeared to satisfy them.

2. Did I believe you had animosity toward Latin America, because of your experiences there? I felt this question should be answered in the negative, and I pointed out your visits to the area since 1960, and the warmth of your reception on your last visit to Chile.

3. The President of Chile, Mr. Frie, has been invited to M.I.T. in February 1969. At that time the President would like to call on you unofficially in Washington. I said this would be brought to your attention, but for them to deal directly with your appointment secretary.

4. Much to my surprise, I was told by the Minister of Finance for Chile that the contracts with the copper companys might be reviewed again, in the near future. This could raise serious problems for the United States companies.

Other comments that have come to my attention since your election are as follows:

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1. Venezuela has been uneasy about the United States election. After the election December 2nd in Venezuela, you may wish to have a representative talk informally with the President-Elect in order to put aside these fears of repraisals as a result of your experience there some time ago.

2. Mexico regrets that you were unable to travel there in October. The Government hopes that someone can come to talk with them before your inauguration. As you may know, during the campaign, I talked with Bob Finch about his going down. This was after Mr. Ellsworth had called me regarding a proposed visit.

3. The Presidents of Nicaragua, Honduras, and Costa Rica have all cabled congratulations. When I visited Central America in October, I gave each President, Honduras, Nicaragua, Costa Rica, and Panama, your best wishes.

4. Panama is going to be a problem.

In the Canal Zone you have a long time friend, Minister Raymond Leddy, an authority on Latin America. His background has been F.B.I., C.I.A., and now State. He can be relied on for the best intelligence on what is going on in this area.

Congressman Selden from Alabama tells me Felipe Herrera, head of the Development Bank for Latin America, aspires to be President of Chile. He is using the bank to this end. It bears careful watching, as we have no strong representation at the bank.

With best wishes,

Sincerely,

The Honorable
Richard M. Nixon
450 Park Avenue
New York, New York 10022

Nov. 30

P.S. The President of Honduras is coming to the States Dec. 15th for a medical checkup. He would like to see you before he returns to his country. He is a military man and a good friend of the United States. I told his representative, who called on me in Miami, to make the request through Ambassador Murphy at State.

When the Governors conference is over, I have a personal matter to discuss with you privately. It will take about 10 minutes.

"H"

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The Honorable
Richard M. Nixon
~~450 Park Avenue~~ Pierre Hotel - 5th ave
New York, New York 10022

c/o Rose Mary Woods
Personal

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THE JOHNS HOPKINS UNIVERSITY
BALTIMORE, MARYLAND 21218

LINCOLN GORDON, PRESIDENT

January 14, 1969

JAN 15 1969

Dr. Henry A. Kissinger
Office of the President-Elect
450 Park Avenue
New York, New York 10022

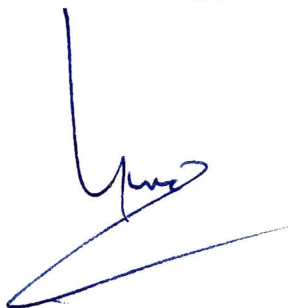
Dear Henry:

Many thanks for your note of January 6. I do expect to be in New York Wednesday and Thursday of this week, and may have some spare time Wednesday afternoon. I shall be calling your office to see whether you want to try to fit anything in during this exceptionally busy period.

For general perspective on how I see Latin America, I am enclosing a copy of a talk I gave in Nashville a few months back. You will scarcely want to do more than thumb through it, but I do raise some questions of policy attitude in the last three pages.

If New York doesn't work out, I know where you will be in Washington from next week on, and will expect to be in touch there at a convenient time.

Sincerely,



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Lecture at Scarritt College, Nashville, Tennessee, October 23, 1968

by Lincoln Gordon, President

The Johns Hopkins University

LATIN AMERICA - THE STRUGGLE FOR MODERNIZATION

Dr. Holt, Distinguished Guests, Ladies and Gentlemen:

I was delighted to receive President Holt's invitation to deliver the second Bishop George Miller Lecture this evening, since it gives me an opportunity to meet with the intellectual leadership of Nashville in pursuit of an interest of ten years' standing: the development of wider mutual knowledge and better understanding among the Americas.

Since 1959, first as a university researcher, then as Ambassador to Brazil, and later as Assistant Secretary of State, I have traveled some hundreds of thousands of miles in this hemisphere. Some of it was rough riding, but most in jet airliners. The experience makes me marvel at the endurance of Bishop Miller and his wife, whose twenty-two years of missionary work, when travel facilities were of an entirely different type, took them to practically every country south of the Rio Grande. Among Bishop Miller's many accomplishments was his vision -- earlier than most -- of the need to develop national leadership to channel Latin America's growing nationalism in constructive directions. In microcosm, it might be said, he anticipated the basic philosophy of the Alliance for Progress.

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My effort this evening will be to clarify some of the critical issues in the Latin American political, economic, and social scene. That it is a turbulent, uneasy, and confusing scene requires no demonstration. Within the past three weeks, the governments of Peru and Panama have been overthrown by their respective military forces. In August, the American Ambassador to Guatemala was murdered in mid-afternoon in the streets of the capital city -- the first such episode in the whole history of our foreign relations. (For me personally, this was an especially tragic episode, since Ambassador Mein had been my Deputy for two years in Brazil and was an intimate friend as well as a most valiant professional colleague.)

In September, student disturbances in Mexico -- long thought to be the most stable and one of the most progressive nations of Latin America -- led to an armed confrontation in which some sixty persons lost their lives. A year ago, the legendary Ché Guevara ended his life in an abortive effort to mount a rural-based guerilla revolution in Bolivia. Uruguay, another supposedly outstanding example of Latin American democratic stability, has suffered violent monetary inflation and massive strikes throughout this year. I could extend the list a good deal further, but this is enough to suggest that all is not well south of the Rio Grande.

Of course Latin America has no monopoly on turbulence in these uneasy times. France in May; Czechoslovakia in August; Nigeria; the Middle East; Southeast Asia; and our own recent tragedies of the King and Kennedy assassinations and of endemic urban violence are all fresh in our minds. Yet the troubles in Latin America have

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a longer history. Perhaps they are more deep-rooted than some of those elsewhere in the world; certainly they are at least as poorly comprehended.

The widespread failure to understand contemporary Latin America results in part from the prevalence of myths and stereotypes which obstruct clarity of vision, and in part from the shallowness with which the basic dilemmas of the continent are ordinarily discussed. I intend this evening to speak of three such myths and three dilemmas, and to conclude with some reflections on the alternatives facing United States policy in our relations to the south.

*   *   *   *

The Myth of Homogeneity. Among the confusing myths and stereotypes, perhaps the least important is the myth of Latin American homogeneity. It is tending to disappear under the impact of broader travel and somewhat greater attention in the mass media. But it is still common enough to confuse both analysis and policy-making.

It is true that the common Iberian cultural heritage gives to Latin America more traits in common than is true of Asia or Africa. But the diversity within the region is more pervasive than its similarities. The geographical diversities are obvious, ranging from crowded tropical Caribbean islands through the Amazon rain forest, the Bolivian and Peruvian altiplano, the desert of the South

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American Pacific coast, the temperate central valley of Mexico, and the fertile Argentine pampas. The ethnic diversities are also well known, one school of anthropologists referring to three Latin Americas: Euro-America, Indo-America, and Afro-America.

What is more easily forgotten or ignored is the vast differences from nation to nation in size and resources, political and social history, and therefore in national potential. Our minds retain schoolbook references to twenty republics, twenty constitutions more or less like our own, twenty flags, and twenty confusingly sketchy histories punctuated by strange Latin names and episodic points of contact with the United States. But if one looks closer at, say, Brazil and Panama, it is easy to see how absurd it is to make political generalizations applicable on the one hand to a country of 90,000,000 inhabitants, continental dimensions, 145 years of proud national history, and possessing all the human and natural resources needed for a diversified economy and a meaningful national culture -- and, on the other hand, a people of 1-1/3 million in a small area, given sovereign independence from Colombia 65 years ago by foreigners in order to permit the building of a canal on which Panama's economy is totally dependent, but whose operations are controlled by Americans in a Zone cutting the country in two. Of course Panama is juridically sovereign, with a voice in the United Nations General Assembly equal to that of the Soviet Union, (and also the Maldive Islands), but in real economic and political terms how can that sovereignty help but be highly qualified? There is also the phenomenon of Panamanian

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nationalism, but in a rational world would this not be one of the odder historical aberrations?

Even within individual countries, the diversity is enormous. The great urban centers such as Buenos Aires and São Paulo, surrounded by modern industrial suburbs, are much like their European or American counterparts, but there are also ancient Indian and colonial villages where life seems frozen in century old patterns. Traveling in Brazil, I often had the sense of moving through the centuries as much as through space. In a continent where pre-Columbian Indian ways of life still co-exist with new urban middle classes scarcely distinguishable from their North American counterparts, it is no wonder that casual visitors glean entirely different impressions, depending on which reality they encounter. Their error is to generalize from their partial realities to the Latin American whole.

Nor is this myth of homogeneity restricted to casual American or European visitors. It was one of the many errors of Ché Guevara, whose stereotyped doctrine convinced him that Bolivian peasants must be in the same frame of mind as his Cuban friends ten years ago in the Sierra Maestre. He learned better before he died, as his diary shows.

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<u>The Myth of Stagnation</u>. The most persistent and widespread myth is that of Latin American stagnation. It too is bolstered by childhood imagery, such as the mustachioed peasant dozing away the

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day, his eyes shaded from the tropical sun by a wide-brimmed sombrero, awakening from time to time only to mutter "mañana" and return to sleep.

It is also bolstered by a quite different and more sophisticated stereotype, which classifies Latin America along with most of Asia and Africa in a simple category entitled "under-developed areas" or "third world." Those terms conjure up an image of agrarian societies, in which illiterate peasant masses are bound in millennial cultural patterns, and even the village craftsmen simply follow the occupations and techniques handed down from father to son. The obvious source of this stereotype is the traditional rural village of India or China.

With not too much effort, there can be found a fraction of almost every Latin American nation which fairly well matches this pattern. But it is a minor and dwindling fraction, rapidly being swallowed up by the dominant trends of change which have set in strongly over the last forty years. These trends are toward modernization. They can be summarized under six headings: Industrialization; Agricultural Modernization; Urbanization; Education; the Evolution of Middle Class Politics; and Regional Integration. Each of these factors has its record of achievement and frustration; its challenges and its obstacles. Each has evoked popular aspirations well beyond accomplishments, with resulting social and political tensions. Taken together, however, they have made the Latin America of today a semi-developed rather than an under-developed region, whose outstanding characteristic is ferment and change, rather than stagnation. Let me say a few words about each of these six.

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Compared with Western Europe or the United States, Latin America did make a slow start in industrialization because in the first century after independence most of the continent was dominated by land-owning oligarchies with little interest in industrial development. Textiles and some food processing were started during the late 19th century, but the major push toward modern type industry came with the World Depression and with World War II. The depression ruined the market for traditional mineral and agricultural exports, forcing the nations to turn inward for such manufactured goods as could be produced at home. These efforts were reinforced by the shipping shortages during the war. By the end of the war, nationalist and development-minded political leaders were on the rise, prepared to stimulate industry through tariffs, exchange controls, and sometimes special incentives for industrial investment by foreign companies.

In the larger countries of Latin America, notably Argentina, Brazil, and Mexico, the result has been a dramatic entry into the modern industrial world. In Brazil, the output of manufactured goods last year was over seven times the 1938 level, including several hundred thousand automotive vehicles with all their components, a wide range of consumer durable goods, electrical and mechanical equipment, chemicals, and many other lines of both light and heavy industry. Argentina and Mexico have a similar degree of industrial development, and Colombia, Chile, Peru, and Venezuela have all made spectacular industrial gains during the past few decades. There was a twenty-fold increase in Latin America's electricity consumption

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from 1929 to 1965. Per capita consumption in the latter year was almost 450 kilowatt-hours, less than one-tenth our own level but far ahead of India (73), Pakistan (43), Ghana (68), Nigeria (20), and Indonesia (18).

On the agricultural front, Latin America has long suffered from a dual pattern: moderately efficient plantation organization of the principal commercial export crops and extremely inefficient small peasant farms, often affording a bare subsistence to the peasant families and operating largely outside the market. In the strenuous development efforts of recent decades, Latin American leadership at first gave almost exclusive attention to industrialization, which is technically easier to accomplish and produces politically attractive, eye-catching symbols of economic modernity.

In recent years, however, it has become apparent that balanced economic development requires a concentrated effort on the far harder task of agricultural modernization. The task is harder technically because it requires changes in the habits of millions of farmers, a group slow to change in all cultures, and harder politically because it alters traditional patterns of economic power and social privilege. Land reform is one aspect of this overdue agricultural reconstruction, and it has attracted the bulk of political attention and controversy. Effective agricultural modernization, however, also requires price incentives for farmers; credit, storage, and marketing mechanisms; the application of improved seeds, fertilizer, and insecticides; and a system of agricultural education and extension services to get known techniques into mass use. Every South American

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government is doing some work along these lines, often with technical assistance from the United States.

The resulting "Green Revolution" is slowly bearing fruit. For Latin America as a whole, total agricultural production in 1967, excluding Cuba, was 29 per cent above 1958, and food production was up 38 per cent overall and 6 per cent per capita. Frequent misstatements to the contrary notwithstanding, Latin America is not losing the food-population race.

Perhaps the most radical recent change in this far from stagnant region has been the headlong process of urbanization. This is an old story in Argentina and Uruguay, but mainly a post-war phenomenon elsewhere. Today over one-half of Latin America's 250 million people are urban dwellers, and one-third live in cities of more than one hundred thousand. Huge numbers move in each year, as much pushed by rural poverty and isolation as pulled by the attraction and opportunities of city life. The migration is a striking by-product of road building, the transistor radio, and the ubiquitous low-cost omnibus.

In education, likewise, there is ample testimony to the transitional character of Latin American societies. Until recent decades, little attention was paid to the constitutional provisions for universal free public education, with the notable exceptions of Argentina, Uruguay, and Chile. As a result, some thirty to forty per cent of the Latin American adult population is still illiterate. This also, however, is a far cry from the situation in South and Southeast Asia or in Africa, and heroic efforts have been made to expand educational budgets, build schools, and train and recruit

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teachers. In recent years, primary school enrollment has been rising at more than 6 per cent annually, and secondary and higher education enrollments at about 10 per cent. The deficits remain very high, and the qualitative deficiencies are deep-rooted. Nevertheless, expanded educational systems are opening the way toward social mobility. While few children of rural peasants or unskilled urban workers are yet able to squeeze through the narrow bottlenecks of limited high school capacity, the groups next up on the ladder are well represented in both high schools and universities. This is a major factor in bringing about the expansion in size and influence of the middle classes.

One of the consequences of this quiet social transformation is a profound change in the character of Latin American politics. At the time of independence in the 1820's, Latin American constitutions were largely patterned on the American model, with many of their provisions drawing inspiration from the French Revolution. The 19th century practice, however, was more in line with the Iberian heritage: authoritarian and paternalistic. Political influence depended more on social status and family connections than on individual merit. Political parties were numerous and short-lived, built to support some particular leader rather than to combine interest groups for a common program of governmental action. Periods of civilian rule were generally unstable, giving way to long intervals of military dictatorship.

Nevertheless, the concepts of representative democracy, freedom of press and political organization, and an independent judiciary always survived, and they made possible the quite different political

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patterns which have emerged in recent decades. Their essential element is middle class participation and leadership, accompanied by a basic change in popular attitudes and expectations towards government. The base of political participation is rapidly broadening, including today many urban workers organized in labor unions and even beginning to reach small farmers and rural laborers. More stable political parties, with meaningful programs and strong roots in local organization, have developed in many countries. The military have continued as a major political force in most of Latin America, but their interventions are no longer in support of a small oligarchy; they too now reflect the new nationalism and developmental concerns of the urban middle classes.

Finally, this set of interrelated economic, social, and political trends has affected relations among the Latin American nations. During the 19th century, there were many territorial conflicts, some resulting in long years of bloody warfare. With the gradual development of the inter-American system, peaceful settlement of international disputes has become the accepted practice and there has been no international armed conflict since 1942. Active economic and cultural relations, however, have been slow to develop in spite of the common historical background. Since 1960, the most significant trend has been toward economic integration, as far-sighted Latin American leaders came to recognize the limitations of their separate national markets. The five-nation common market in Central America has made dramatic gains, and the much larger Latin American Free Trade Association, which now includes all of South America and Mexico, has also brought

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about a substantial increase in trade within the continent. The Latin American presidents in April, 1967 committed themselves to the development by 1985 of a full Latin American common market. While this project is encountering severe obstacles, its very adoption as a goal is a far cry from the separatism of the past.

In economic terms, all this adds up to a continent very much on the move. It is still a poor continent in absolute terms, with massive poverty in many parts of the countryside and among the millions of under-employed city slum dwellers. The Latin American gross domestic product per capita in 1965 amounted to about $400, compared with $3,100 in the United States and Canada, and $1,500 in Western Europe. But the corresponding figures for Africa and for South and Southeast Asia were $150 and $100, respectively. The potential for a rapid breakthrough toward general economic modernization in Latin America, therefore, is far greater than in the rest of the so-called "third world" -- a misleading term which I wish had never been invented.

* * * *

The Myth of the Revolutionary Panacea. This brings me to the third myth, the notion that all of Latin America requires a violent revolution before any genuine economic, social, or political progress can be expected. A young American professor recently stated it in the New Republic in the following words: "Real progress cannot take place in Latin America without revolution. Latin America is a feudal

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society, and feudalism will not survive the creation of a flexible, mass-consumption economy. This revolution may be peaceful, but it will mean the destruction of the established power structure." Other advocates of the revolutionary panacea exclude the idea of peaceful revolution. Among Latin American intellectuals, a large proportion of whom have one or another form of Marxist orientation, it is often said that violent revolution is essential to break the crust of antiquated social and economic structures and lay the foundations for modern growth with open societies. This school of thought likes to say that only Mexico, Bolivia, and Cuba have "had their revolutions;" and that until the rest of Latin America has theirs, all lesser efforts will be in vain.

I disagree profoundly with this view, on the grounds that violent revolution is neither necessary, nor humane, nor likely to achieve the projected results. The fact is that nowhere in Latin America today does there exist a frozen social system remotely comparable to pre-revolutionary Mexico. To describe Latin America as a "feudal society" is to betray a gross ignorance of the nature of feudalism, of the nature of contemporary Latin America, or of both.

In discussions of this matter with Mexican intellectual friends, I used to point to the striking example of the state of São Paulo in Brazil. São Paulo contains 17,000,000 people, making it larger than any Latin American country except for Brazil itself, Mexico, Argentina, and Colombia. Forty years ago, its politics were wholly controlled by an oligarchy of coffee growers. Today, they have become a minor pressure group, of far less importance than indus-

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trialists and bankers, organized labor unions, and the very large urban middle class of São Paulo City, Santos, Campinas, and the many smaller cities which are spread throughout the state. By any index of modernization -- industrial, agricultural, educational, social, or political -- São Paulo is as far from feudalism as is Mexico, but it achieved its transition through a gradual process of peaceful change.

In Mexico, on the other hand, the revolution which began in 1910 was consolidated only by 1929, after a protracted civil war which cost one million lives out of a then population of fifteen millions. And as the students of Mexico City are rather noisily making clear these days, some Mexicans believe that their revolution has become too institutionalized, and is now ready for another revolution. It is also significant that Bolivia, which "had its revolution" in 1950, was the nation selected by Che Guevara for his abortive would-be revolution last year. As for poor Cuba, a decade after Fidel Castro's ascent to power it has settled down to the dull rationed monotony, stripped of every kind of individual and collective freedom, dominated by the bureaucratic "new class" which is by now the familiar consequence of control by totalitarian-minded Communist parties in Eastern Europe. Only the romantic enthusiasts for revolution for its own sake, who enjoy the revolutionary process but have no conception of what to build upon the ruins, can hold any rational belief in the revolutionary panacea for Latin America

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as a whole.

Certainly rapid change is needed in Latin America -- change of a degree and pace which may well be described as "revolutionary." But it is revolutionary in the sense of the industrial and agricultural and educational revolutions which have transformed Western Europe and North America and Japan over the last century, without the massive liquidations of millions of innocents which marked the classic revolutions of France and Russia.

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What, then, are the prospects for rapid and progressive change in Latin America -- change from semi-development and semi-modernization to open, mobile societies with decent living conditions, broad equality of opportunity, and the respect for individual dignity and for personal and collective freedom which are written as aspirations into all Latin American constitutions? To evaluate those prospects requires an analysis of three major dilemmas which affect the region.

The Demographic Dilemma. The first is the demographic dilemma, which poses a very high hurdle to change at the necessary speed to meet even a portion of popular desires. The pace of population increase in Latin America runs between three and four per cent per year, the highest of any major region of the world. This means a doubling every twenty years. This population explosion contributes heavily to migration from the countryside to city slums, and adds a dramatically high need for creation of jobs to the other demanding tasks of economic development.

The problem is not one of imminent starvation in this hemisphere, except perhaps in Haiti and a few extremely crowded small Caribbean Islands. Latin America has a larger unexploited margin between actual and potential food production than any other continent, and as already mentioned, actual food production in recent years has been rising more rapidly than population. The crucial problem in addition to the tragedy of large numbers of illegal abortions at serious risk to the health or life of the mothers, is the drag of rapid population growth on economic development and living standards.

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Nations poor in capital -- and by definition all the underdeveloped or semi-developed countries are poor in capital -- are fortunate if they can sustain a five or six per cent annual growth in their total output. If population grows at 3-1/2 per cent a year, living standards can increase at only 1-1/2 per cent, taking almost fifty years to double. But if population were growing at only 1 per cent per year, average incomes could double in only eighteen years. That is the difference between seeing real hope for the future and seeing only frustration.

During my term as American Ambassador in Brazil, I used to discuss this question frequently with Brazilian friends. "How can we be concerned about population growth," some of them would ask, "when we have only 85 million in a country as large as the United States? Don't people mean power?" I would make two answers. First, for the United States, observing our own problems of urban overcrowding and air and water pollution, I am sure that we would be better off with a population of 100 or 150 million rather than with our present figure of 200 million. Secondly, large numbers of poor people most certainly do not mean power; they mean merely large amounts of misery. This can be seen by any visitor to the sub-continent of South Asia.

A number of Latin American governments have faced this problem squarely, and have made family planning services a regular part of their public health clinic activities. In Argentina and Uruguay, birth rates have been low for many years, and it is understandable that the Argentine government sees no visible

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population problem on the horizon. In the rest of the continent, however, it is not only on the horizon; it is already at the center of things.

It is true that the great inner frontier of South America, ranging from the eastern slope of the Andes through the Gran Chaco of Paraguay to Mato Grosso and west central Brazil -- is the largest, almost unoccupied, readily developable part of the globe. Many tens of millions of people could be settled there at an adequate living standard. Parts of it are being rapidly colonized, as new highways bring easy access to the area. But this is not where the population explosion is most evident. In Brazil, it can be seen in the desperately over-crowded city slums and in the most backward rural areas, such as the subsistence farming region of the northeast. Until a few months ago, it appeared that a change in official Roman Catholic doctrine might help ease this dilemma for Latin America, but the recent Papal Encyclical will only make the task harder.

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<u>The Economic Dilemma</u>. Latin America's economic dilemma is the heart of the problem. One outstanding characteristic of post-war Latin American politics has been the coming of economic development to the forefront of national goals. A good deal of development has in fact taken place, as already indicated. But the pace is too slow, especially in view of the population explosion, and it is an open question whether it can be sufficiently accelerated.

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The requisites for more rapid development are sufficiently well known. They include a greater volume of capital formation, expanded foreign trade, modernization of economic institutions, and an educational system geared to modern needs. Each of these elements, however, has its difficult hurdles to overcome.

Greater capital formation faces the usual problem of all poor countries: With income levels low, it is difficult to save enough out of current income to make the necessary investments to raise those income levels. The urban and rural poor cannot be squeezed as they were in the British industrial revolution, nor can consumption levels be deliberately held down by the techniques of Soviet Russia. Some governments have resorted to the monetary printing press or its equivalent to finance large scale public investment. This may work for a few years, as it did in Brazil in the late 1950's, but the price of galloping inflation is very high for any society, and the system soon adjusts its practices and expectations to offset the inflation and to concentrate on a dismal battle by every group to shift its costs to other groups. (If you suppose that I am referring to anything like our recent experience in the United States, let me point out that the average annual increase in the cost of living from 1948 through 1966 in Bolivia amounted to 34 per cent per year, in Chile and Brazil to 31 per cent, in Argentina to 27 per cent, and in Uruguay and Paraguay to 21 per cent.)

If anything, the problem of voluntary limits on consumption has been made harder by the expansion of the Latin American middle

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classes. Being children of the European cultural heritage, whatever their racial background, the upper and middle classes of Latin America are exposed daily to American and European consumption standards, and they want the automobiles, consumer durable goods, house furnishings, clothing, and other material paraphernalia advertised by television and press. These pressures for consumption can only be offset by systems of taxation deliberately designed to encourage investment and by the development of capital markets. And domestic investment also needs to be supplemented by a substantial volume of net foreign investment.

Hence the importance to Latin America of aid through the Alliance for Progress and the international lending institutions, and of foreign business investments. At the Punta del Este conference of 1961, which drafted the original Charter of the Alliance for Progress, it was estimated that foreign capital of two billion dollars a year, supplementing a much larger volume of domestic investment, could make possible overall Latin American economic growth of 5 or 6 per cent a year. Of that amount, a billion dollars was to come annually from United States public sources. Until this year, we have met that commitment, but the recent Congressional cuts in foreign aid will make us fall short unless remedial action is taken quickly by the new administration and Congress.

Meanwhile, the dollar has diminished in real value, and the effective absorptive capacity of Latin America has grown. I would estimate today that at least three billion dollars a year of outside funds, public and private, could be put to very good use in

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speeding up Latin American development. Such amounts of external capital are unfortunately not presently in sight.

The world trading position of Latin America is also far from satisfactory. In 1948, Latin American exports accounted for 11 per cent of the world total, while in 1967 this proportion had fallen to 5.8 per cent. Foreign exchange to pay for needed imports is a critical bottleneck in economic development, and it can be secured only through trade, foreign investment, and aid. Hence the very great Latin American interest in some form of world trading arrangement giving preference to imports from less developed countries. The hopes for a world-wide plan having been frustrated at the New Delhi conference early this year, Latin American leaders are pressing for United States action to give such preferences on a hemispheric basis.

The modernization of internal economic institutions and of the educational system are also of cardinal importance to accelerated development. They include reform of public administration in the economic field, revision of corporation, banking, insurance, public utility, and other regulatory legislation, and a vast expansion in secondary education to help fill the "missing middle" in both public and private institutions. The universities have been growing rapidly in student numbers, but they remain largely patterned after obsolete continental European models, with far too much emphasis on traditional legal studies and far too little on science and technology, economics, administration, medicine and the allied health professions, and even law itself as an instrument

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of social engineering instead of juridico-philosophical doctrine. Most of these reforms require governmental action, and all encounter one or other type of vested interest opposition. In this field, the economic dilemma merges into the political dilemma.

<u>The Political Dilemma</u>. The essence of the political dilemma is that while representative democracy is a formal aspiration written into Latin American constitutions and solemn international agreements like the revised Charter of the Organization of American States, fully effective democracy in the strict sense of the term does not exist anywhere south of our border. By democracy in the strict sense, I mean a regime in which the electorate has periodic opportunities to choose between genuine alternatives, but in which there is so broad a consensus on the form of government that the elevation to office of any group likely to obtain power does not threaten the continuity of the regime itself. Mexico fails this test because the Party of the Institutionalized Revolution, the PRI, has a virtual monopoly of power. Chile fails it because the narrowly defeated opposition in the last presidential election was dedicated to the overturn of the regime. Everywhere else the possibility of military intervention or of radical left-wing or right-wing overthrow is an ever present political fact.

Nevertheless, some elements of working democracy do exist in most of Latin America, Cuba excepted. Where there are military regimes, they do not regard themselves as permanent. In a case like Brazil's, the semi-authoritarian character of the regime is tempered by a very free and strongly critical press, an elected

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Congress and set of State Legislatures, as well as local mayors, and a great deal of lively political activity. Moreover, the Latin American trend during the last several decades has been strongly in the direction of greater popular political participation.

Even where political organization is unfettered, however, Latin American politics are generally marked by a multiplicity of parties, loosely allied in ephemeral coalitions, and by extreme personalism, i.e., allegiance at the local or national level to charismatic leaders rather than to well-formed party structures or programs. In many cases, the real goal of electoral competition is more the spoils of office than the implementation of programs or the pursuit of ideological objectives.

For any close student of comparative government and politics, this situation should not be surprising. It can be argued that in any period of rapid economic and social change anywhere in the world, in which major new groups are for the first time being brought into active political participation, a democratic regime is especially conducive to populist political demagoguery and to profiteering by professional politicians at the expense of their own supporters. This was the typical experience of the American city machines prior to the movements for municipal reform. It can be seen all over newly independent Africa and Asia. On a larger scale than in our cities, and perhaps with more dire results, it appears characteristic of much of today's Latin American politics. This poses grave problems for the prospects of rapid economic development. Such development requires policies with long-time

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horizons, in which some short-term sacrifices must be accepted by almost every organized group in the community. Even mature democracies have difficulty in implementing such policies, and adolescent democracies all the more so. If one is looking for foreign analogues to Latin American politics, it is better to examine the uneasy history of democracy in France or Italy than to search for models in Britain or the United States.

The weaknesses of transitional politics are the main reason for the persistence of military intervention in Latin American political life. In the 19th century tradition, the officer corps were generally aligned with landowning oligarchies and a very conservative clergy. This is not the case in the 20th century. In a few of the smallest and weakest nations, military intervention may be designed simply to maintain special privileges for the armed forces themselves. But in the larger nations, military officers are rarely protectors of entrenched oligarchies. While the countries vary greatly on this point, in most cases the officer corps is now drawn from the middle or lower middle classes. They often feel themselves trustees of the national interest on a plane higher than party politics, and their profession gives them practice in administration. With some outstanding exceptions, they tend to be honest, not in a position to supplement their salaries by moonlighting, and therefore sharply affected by inflation. It is regrettable, but not surprising, that they should succumb to the temptation of throwing out what appear to them to be "political rascals," whose apparent concerns for the national interest, or whose capacity to turn glowing soap-box promises into reality,

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leave much to be desired.

In this connection, one often encounters extraordinarily simplistic views of the military role in Latin America. I have seen many newspaper editorials and Congressional comments complaining that the United States military assistance programs are responsible for military coups, oblivious of the fact that military intervention in Latin American politics is a tradition well established for 125 years before the beginnings of our military assistance program in 1952.

There is a special dilemma in this field, since police and military forces are indispensable to internal order. Did they not exist, society would be at the mercy of any aggressive minority, and there are very aggressive minorities all over the continent, many of them subsidized and indoctrinated with Cuban help. To make the armed forces the servants of constituted civilian authority is part of the process of broader political development, and this in turn is related to social and economic development. In the Mexican case, where the Army is today unquestionably the servant of the civilian authorities, it took thirty years after the 1910 revolution to bring this condition about. Until the 1940's, all Mexican presidents had been generals, and securing the support of the officer corps was much more important for any Mexican politician than securing honestly counted votes.

I have no easy solutions to suggest for this dilemma. It is grossly naive, however, to talk in one breath about economic underdevelopment, crying social injustice, and the need for revolutionary change, while at the same time expecting Latin American nations to

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be cardinal examples of the smooth working of simon-pure representative democracy. After all, France has not yet achieved that Nirvana, although it is one of the oldest nation-states in the world; Belgium has not achieved it; and as we observe the year 1968 in the United States, our own political practices scarcely seem unblemished.

I would therefore expect a great deal of constitutional and political experimentation in Latin America in coming years, some along the dominant single party line, as in Mexico, some of the Gaullist variety, and some on novel and unpredictable lines. Let us hope that those experiments can be reconciled with the maintenance of individual civil liberties, freedom of criticism, continuing expansion of political participation, and ultimately the restoration of true representative democracy, with genuine alternatives presented to a popular electorate -- a political system which has taken centuries to evolve but which remains, in Winston Churchill's famous phrase, the "least bad form of government known to man."

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<u>Conclusion: The Alternatives for American Policy.</u> Those three myths and three dilemmas present you the highlights of a mixed picture, some good, some bad, and all kaleidoscopic. You can see why it is difficult to pick out the enduring elements from the transient ones. What does this picture suggest for American policy in relation to Latin America?

Perhaps there is a prior question -- whether there need be an American policy of any kind toward Latin America. The

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neo-isolationist voices now so often heard in the United States, whether left or right-wing in inspiration, tell us that we have had too active a foreign policy in the last quarter century, and would do better to let the rest of the world care for itself unless it impinges directly on tangible American security or economic interests. I do not accept that view. On the contrary, it seems to me clear that civil as well as military technology, communications, and economic structures are making the world's nations constantly more inter-dependent year by year. If we fail to draw the policy consequences from those facts, we shall bitterly regret it.

Do we have any special interest in Latin America, different from the rest of the world? It is common at Pan American meetings to say so, in glowing toasts to the memory of Simón Bolívar and the other past heroes of the idea of Western Hemisphere unity. But, in truth, it is a bit foolish to regard Argentina and Chile, 6,000 miles away, as "neighbors" in some sense that Britain and France are not. Nor is it a matter of obvious economic interests. Latin American raw materials are important to us, but not indispensable, and neither our $10 billion of direct investments nor our $5 billion of annual exports are as important to our own economic welfare as the Latin American theorists of North American "economic imperialism" would like to make out. We do have a critical security interest in Mexico, Central America, the Caribbean, and the Panama Canal, but this does not extend to the larger countries of South America.

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What in my mind is more important is the potential of Latin America as one of the great centers of world influence, which may be exercised for good or for evil -- for contributing to the kind of world that we would be happy to live in or creating new centers of chaos and disruption. George Ball, who is certainly no isolationist, argues in his excellent recent book on foreign policy that we should concentrate our attention mainly in the north temperate zone where the main centers of economic, military, and political power are located. I think he gives insufficient recognition to the potential of Latin America as another such center over the next fifteen or twenty years, provided that our own policies help to make it so.

Whatever happens in birth control policies, the Latin American population by the end of the century will be double the North American. The ratio of people to natural resources is favorable for development, and the essential base of semi-development -- in many respects the hardest part of the transition -- has already been created. Latin America is at a crossroads, with possibilities for rapid transition to self-confident societies enjoying self-sustaining growth on the one hand, or for relapse into internal chaos on the other. At a relatively modest cost, combined with good judgment and perseverance in application, American policy could help to ensure that the right fork in this road is taken.

With apologies for some bias arising from my own deep involvement in the origins of the Alliance for Progress, and despite

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the considerable disappointments of the last seven years, I believe that the lines of policy set forth in 1961 and amplified at the meeting of Western Hemisphere Presidents in 1967 constitute the essence of an effective American policy towards Latin America. So far they have neither failed nor succeeded; they have yet to be fully tested. To do so will require somewhat more aid and technical assistance, within a framework of inter-Latin American cooperation looking toward a Latin American common market, and with continued emphasis on the domestic economic and social reforms required within Latin America for rapid but peaceful change. Some kind of trade preference for Latin American exports in our markets would be a natural part of such a policy, but it should be conditioned on genuine progress towards the common market endorsed by the Latin presidents last year. Little can be done through direct governmental relations to foster political development, but a great deal can be done indirectly through cultural and intellectual exchanges, assistance in educational modernization, scientific and technical collaboration, and other non-governmental channels.

In ample Congressional contacts in recent years, and in discussions with opinion leaders in many parts of the United States, I have encountered widespread sympathy for this line of policy. In the days prior to the Presidential Meeting at Punta del Este last year, only an unrelated quarrel between the Senate Foreign Relations Committee and the Johnson Administration prevented the Senate from adopting a formal resolution to this effect, as the

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House of Representatives had done earlier by a two-to-one bi-partisan majority. There seems to be an almost instinctive recognition in our public opinion that a successful Latin America could be a pillar of strength for freedom in the world -- and therefore for our deepest national interest.

As we become preoccupied, however, with critical domestic challenges of rebuilding our cities and working out a new basis for racial harmony -- and I subscribe to the urgent necessity of facing those challenges -- there is a grave danger that we may pass up the opportunity for effective cooperation in Western Hemisphere development at a time when the trends I have summarized tonight could make such cooperation especially rewarding. Time is not our ally in this effort, and the opportunity lost in these years may not soon recur. What we can least afford in our Western Hemisphere policy is another era of neglect like that of 1947 to 1957. So much hangs, in this as in other respects, on the leadership we elect next month and on the understanding created throughout the nation by efforts such as your own.

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GORDON

Latin America

January 15, 1969

Mr. Lincoln Gordon
The Johns Hopkins University
Baltimore, Maryland 21218

Dear Linc:

Thank you for your letter of January 14 and for your Latin America paper.

I'm sorry I wasn't able to see you when you were in New York but my schedule just ran away with me. I look forward to seeing you in Washington, when hopefully, I will have a little more time.

Warm regards,

Henry A. Kissinger

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