BARR, JOSEPH W. - ARTICLES and Speeches (1964)

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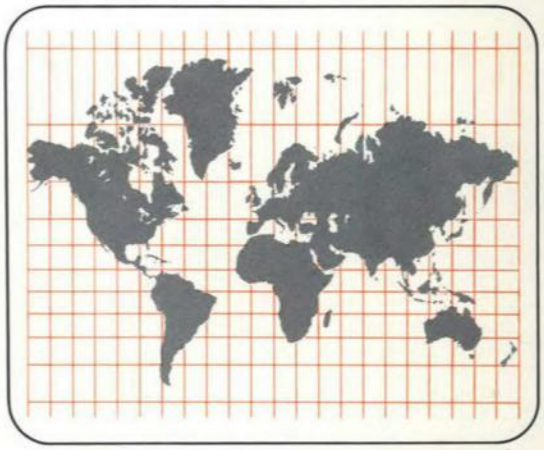
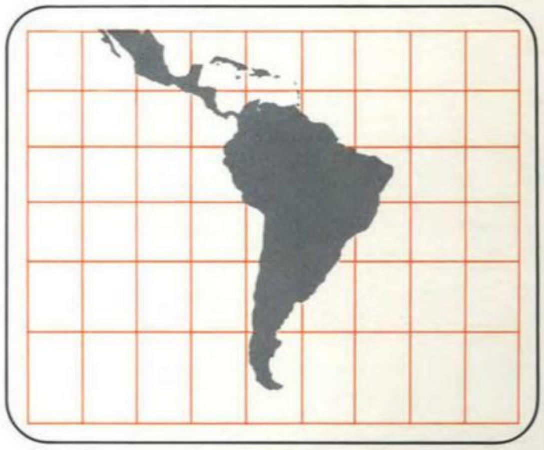
BANKING FOR PEACE



BANKING FOR PROGRESS IN LATIN AMERICA



BANKING FOR PEACE

Address of

JOSEPH W. BARR, Chairman

before the

National Association of
Bank Women's Convention

Hotel Peabody,
Memphis, Tennessee
October 14, 1964

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FEDERAL DEPOSIT INSURANCE CORPORATION, Washington, D.C.

BANKING FOR PROGRESS IN LATIN AMERICA

Address of

JOSEPH W. BARR, Chairman

before the

State Bank Division
AMERICAN BANKERS ASSOCIATION
at its 90TH ANNUAL CONVENTION

Fontainebleu Hotel,
Miami Beach, Florida
October 26, 1964

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BANKING FOR PEACE

In these times, no word is used more often in public discussions than the word "peace." And that is as it should be, for the most important work of the Federal Government these days is keeping the peace.

First of all, of course, we *arm* to keep the peace. We maintain in the United States an arsenal of military power greater by far than any nation today or in the past has ever maintained.

Then we *parley* to keep the peace. We parley with the Russians on such subjects as disarmament—some of the most lengthy talks ever undertaken among nations, but absolutely essential to maintain the balance of hope in the proposition that the day will come when peace can be maintained without massive arsenals of destructive weapons, and without the proliferation of those arsenals in more and more nations.

We parley with our allies and in the United Nations, in a never ending search for ways and means to build a structure of law and order with which to contain forces making for war. We parley about everything from Cyprus and the Congo to South Viet Nam and Indonesia because we all know that every shot between nations today is a shot heard 'round the world.

And we *work* for peace in a hundred different ways through helping others to help themselves escape the worst trials of poverty, for we know that both at home and abroad poverty breeds strife.

This work can be intensely personal and direct, like the work the men and women of the Peace Corps are doing in 46 countries overseas today. This work can involve historic partnerships between the United States and the governments of key developing nations such as we have in the Alliance for Progress and in our foreign aid programs in India and Pakistan—partnerships which serve to give substance to the promise that there is an alternative to a life of poverty and strife for the world's one billion undernourished, underemployed, and undereducated.

It is not surprising that the word "peace" should dominate the public discussions in the United States in these times. For the business of maintaining peace is an exacting, testing, exhausting business which requires of government leaders today a clarity of mind, a firmness of purpose and a breadth of understanding and experience so far beyond the ordinary as to make the problems of peace in past decades seem like mere footnotes in comparison.

I want to say a few words today about a very unusual banking institution which you might say has been quietly and effectively banking for peace for the last seventeen years. I refer to the World Bank and its sister agencies, the International Development Association and the International Finance Corporation. The World Bank family has proved itself one of the most effective working instruments for maintaining the peace; its task has been to create opportunities for people to earn a way out of their poverty.

When the World Bank opened its doors less than a year after World War II, it was very much an experiment in international cooperation and one which few bankers thought would prove to be successful. It was called the International Bank for *Reconstruction* and Development and it quickly became very obvious that the task of postwar reconstruction was far beyond its means. It took a Marshall Plan to help restore Western Europe and Japan.

But the idea of the Bank as a *development* agency, mobilizing private funds for investment in important development projects in the countries of Asia, Africa, and Latin America, has proven to be one of the great ideas of the postwar period. And American bankers can take pride in this achievement. For the World Bank has been captained from the start by a series of distinguished American bankers —Eugene Meyer, John J. McCloy, Eugene Black, and now George Woods. And the American financial community has provided the great bulk of the Bank's funds.

The Bank started to make loans in Latin America in 1948; in India in 1949; in the Middle East and Africa in 1950. Its annual lending was only $300 million in 1951. But by 1958 it had reached $700 million, and this year, supplemented by the funds of the IDA, it topped $1 billion for the first time. Hundreds of projects in 80 different countries have received support from the Bank in the last 15 years.

It is a rare thing to be able to say of an international organization today that it has proved a financial success, an economic success,and a diplomatic success. The World Bank, whose 102 member governments make it almost as international as the United Nations itself, is all of these things.

One test of the financial success of the Bank is the fact that its bonds have been floated successfully in the United States, Canada, the United Kingdom, Belgium, the Netherlands, West Germany, Switzerland, Italy, and Austria. World Bank bonds are held by private investors in virtually every non-communist country in the world today. The Bank's outstanding funded debt—about 40 percent of it held in the United States and 60 percent outside the United States—amounts to $2.5 billion.

The Bank's success in the private capital markets of the world, more than anything else, made possible in 1960 the establishment of the International Development Association, through which some $1.5 billion in contributions from member governments has already been mobilized. Creation of IDA stemmed from a recognition by the Eisenhower Administration in the United States and the other member countries that many of the developing nations of the world had contracted all the debt that they could possibly service. If these countries were to continue the progress they had started, they needed a source of funds repayable over very long periods, with an initial grace period of up to 10 years, and very low interest rates. The International Development Association was designed to meet this need. The financial effect of IDA, of course, has been to reduce the Bank's effective interest rate in its borrowing countries by "mixing" with regular Bank loans IDA "credits" which normally run for 50 years with a nominal service charge in lieu of interest. I will presently have something further to say about the importance of IDA in the World Bank family. But, financially speaking, IDA has permitted the Bank to maintain its high volume of lending, while at the same time giving added protection to the whole international credit structure.

The World Bank also makes a profit. Net earnings, in fact, have been running at a rate of $100 million a year recently, resulting in accumulated reserves in excess of $850 million. So strong is the Bank's financial position that this September in Tokyo the Governors of the Bank voted to transfer $50 million out of last year's net income to IDA—a kind of dividend, if you will, which the Governors voted to plow back into the work of the World Bank through IDA.

I stress the financial success of the Bank because you are bankers. But to me the Bank's success in what has come to be called "development diplomacy" is much more important and it is what has made possible its financial success. Through its lending policies the Bank has stimulated far-reaching internal reforms and innovations in borrowing countries.

This is an important and delicate matter. You all are familiar with the confidential relationship which exists between any banker and his client. Consider how very delicate that relationship is when a banker's clients are 80 sovereign governments or agents thereof.

However, I want to emphasize that the Bank's business is very much down to earth—very much like the kind of business with which you are familiar. The Bank lends money for specific projects, largely in the fields of power, transportation, and communication, but also in industry and to a smaller extent in agriculture and education. The *project* is the important thing. Of the $8 billion which the Bank has loaned, every penny has gone to buy materials, equipment, or services for a specific project of importance to the development of a borrowing country. Economic and social change may develop in a country in which the Bank is financing projects. But these changes flow almost naturally from an improved economic climate and the Bank's lending policies rather than from direction by the Bank itself. Here again, I think this is a pattern that all of you can recognize and understand.

Typically, Bank projects are big projects—big at least in terms of the borrower's economy. The Bank has financed the installation of more electric power in Latin America since 1950 than existed in Latin America prior to 1950. It has financed about 7,000 miles of new railroads and the rehabilitation of perhaps twice that amount. But the important thing is that each Bank project is approved only after a great many conditions are met. These "conditions" might entail new methods of internal financial controls in public utility operations, including new rate structures; they might include the reorganization of a highway maintenance department; they might include the establishment of a public authority, such as a port authority; they might include a contract to hire expert management from abroad for a number of years. However, these conditions have not been laid down by the Bank in an attempt to achieve social reform; they have been imposed to make certain that the borrowing nation will have a reasonable opportunity to pay off its loan.

What the Bank calls its "project approach" is one of the successful techniques in development diplomacy so far perfected. But the Bank has other diplomatic strings to its bow. For example, through the good offices of the Bank, India and Pakistan signed an historic agreement in 1960 on a plan to divide the waters of the Indus Basin where 40 million people earn a living only insofar as regular supplies of irrigation water can be brought to their land. In 1958 the Bank was able to effect a settlement of the claims and counterclaims arising out of the nationalization of the Suez Canal. Several important cases of long-defaulted bond issues have been settled thanks to the intervention of the Bank as a mediator. At Tokyo this September the Bank's Governors voted to send to governments a plan for a new arbitration service, to be available when foreign investors and governments together wish to ask the Bank's aid in settling outstanding disputes.

Perhaps the most interesting and complicated diplomatic task the Bank has undertaken has been to take the lead in forming from among all the major countries and institutions giving foreign aid a series of "aid consortia." Here the problems and programs of one country—India, or Pakistan, or Colombia—are discussed regularly and in common. These "consortia" are very informal; the idea is to have a full and frank discussion both among the aid donors and between them and the borrowing government. This way it has been possible to discuss privately the basic policies of the borrowing government and to express freely and frankly any apprehensions which may exist among the aid-giving nations.

There is, of course, a very definite limit beyond which a sovereign government, or even an international organization, can go in criticizing the domestic policies of another sovereign government. Too much open criticism leads to a breakdown in communications—an end to the possibility of cooperation; too little criticism may mean undermining the confidence of investors. The World Bank's "aid consortia" provide an imaginative new way to establish an effective, confidential banker's relationship with the governments of some of the less developed countries.

The "aid consortia" have also provided useful opportunities for the United States and the Bank together to urge our European friends to shoulder a more equitable share of the foreign aid burden. Compared to five years ago, the European share of aid to such countries as India and Pakistan is now far more reasonable. However, I feel that most people in Washington charged with responsibility for international affairs believe that Europe can and should do more.

A particular problem which Secretary Dillon has been hammering at for over four years is the problem of terms of aid. Some European governments still offer much of their credit to the developing countries on terms which may be suitable for normal commerce among industrialized countries but which are quite unsuitable for countries that are trying to finance large development programs with a precariously small supply of foreign exchange. Three-year credit, even five-year credit doesn't make sense if the equipment being financed is a railroad locomotive or a turbo-generator for a power dam. This is a bad way for governments to finance development because it piles up heavy debt burdens in the short run, before the equipment financed can possibly be expected to bring in much of a return.

The United States and the World Bank have both taken several steps in recent years to lengthen the maturity of their loans, to extend grace periods and, particularly, to provide capital at very low interest rates—the United States through the foreign aid program and the Bank through IDA. While some progress has been made in this direction in Europe and Japan, there is still a long way to go. Secretary Dillon accented this piece of unfinished business in his address to the Bank's Governors in Tokyo in September, and the United States will be pressing the point through the World Bank's aid consortia and elsewhere in the months to come.

Another piece of pending business before the World Bank family involves the International Finance Corporation. The IFC was formed eight years ago to provide the World Bank with an instrument for dealing with private industrial enterprises in the developing countries without the necessity of governments giving their official guarantee to each loan—as is necessary under the World Bank's charter.

IFC again was frankly an experiment; less than $100 million was contributed by member governments. The idea was that IFC should be a catalyst, providing only small investment sums out of its own capital, but organizing teams of private investors from the industrialized countries and the less developed countries to put up the bulk of the money needed for a given investment opportunity.

It has taken eight years for IFC to devise effective operating procedures which are not too complicated for the management of new enterprises in the less developed countries and are at the same time attractive to private investors here and in Europe. The IFC has committed all of its original funds, about 30 percent in equity-type investments and the rest in loans. In the past year Mr. Woods faced the decision about how to increase IFC's capital. He could ask for further contributions; he could have IFC try to raise money through issuing its own securities; or he could revise the World Bank's charter to allow the Bank to lend directly to IFC. For practical reasons he chose the latter course, and Congress will be asked next year to approve amendments to the charters of the Bank and IFC.

This is an important step. It is a fact that one of the hallmarks of a poor or developing nation is the absence of a large business community, willing and able to invest money in productive industrial enterprises, as opposed to trade or real estate.

At the same time new industry is today both the symbol of the economic progress which the less developed countries want and the substance without which employment opportunities cannot be gained. The problem, then, is to improve the usefulness of the World Bank family as a source of industrial finance for private industry in these countries.

One useful way of doing this—a way pioneered by the World Bank—has been to help establish industrial development banks in the less developed countries, which can deal with many hundreds of small private investors. The Bank and IFC together have invested $290 million in this kind of institution. IFC now has the responsibility for building on this record.

If Congress approves amendments permitting the Bank to lend money to IFC, the latter will become in effect the World Bank's industrial department. While continuing to act primarily as a catalyst for other private investors, IFC will itself make larger industrial loans to private enterprises in the less developed countries.

I have tried to illustrate some of the ways in which the World Bank family has become a financial success, an economic success,and a diplomatic success. In conclusion let me say one word about the future.

The idea of "foreign aid" has been involved in a great deal of heated debate of late in the Congress and elsewhere in this country. But I don't have to point out to you, as bankers, that it would be the sheerest kind of blindness to ignore in our foreign relations one of the great strengths which the United States has as the free world's leader—the strength which comes from its very wealth as a nation. To conduct diplomacy without drawing on that strength would be as silly as to conduct warfare without using the Navy or the Air Force.

Working for peace through helping other nations to engineer some escape from their poverty is just as important work in terms of our own security and well-being as is the work of our defense planners and our regular diplomatic corps. If the task of the defense establishment is to maintain the balance of power in favor of freedom, the task of development diplomacy is to maintain the balance of hope in our favor and for the free world. The one without the other simply will not provide us and the free world with the security we must have!

* * * * *

When I first came to Washington in 1959 as a freshman Member of Congress, one of my first assignments was to help defend on the floor of the House of Representatives an increase in the resources of the World Bank. To prepare myself for this assignment I read everything about the World Bank family that I could find; I had long talks with Secretary of the Treasury, Robert B. Anderson, and with Mr. Eugene Black, who was then the President of the Bank. It seemed to me then, and I still believe, that the development of this great international financial institution marked a turning point in the affairs of men. In the past, warriors and diplomats have marched across the pages of history with scarcely a nod toward the banker or the financier. This great, highly successful organization of 102 nations now brings finance up to the top levels of international policy.

To me there is no more hopeful augury in the world today than the acceptance of the concept that economic development rates equally with military power in keeping the peace. As bankers this is something we can understand. I urge you all to acquaint yourselves with the programs and the problems of this great family of international institutions. When public debate arises, bring to the debate your skills and experience as bankers. This is *our* debate, and I urge you to make yourselves heard.

BANKING FOR PROGRESS IN LATIN AMERICA

When I arrived in Miami yesterday morning my mind was dwelling on that day just two years ago when it was confirmed that the leader of a Latin American country had permitted Soviet Russia to install nuclear missiles hardly 90 miles off our coast. That day Fidel Castro sold the soul of Cuba to the one imperialist power in the world which could rob Latin America of its independence and usher in a new era of conquest and colonization.

That day of infamy was in my mind because I came here to talk to you about a very special banking institution dedicated to the future of Latin America. I refer to the Inter-American Development Bank—the Bank of the Alliance for Progress. I chose this topic partly because of Miami's special window on Latin American affairs, but mostly because in the next session of the Congress one of the first items of business is going to be a bill to increase the resources of IDB. I hope you, as American bankers, will take a professional interest in this unique institution. For the IDB, like the World Bank, is in a sense banking the foreign policy of the free world. These institutions employ banking techniques to encourage the kind of economic development in Latin America and elsewhere which has been a key objective of our foreign policy since the Marshall Plan days.

The Alliance for Progress is certainly the most ambitious exercise in international cooperation since the Marshall Plan. In fact, it has *more* ambitious aims; while the Marshall Plan was directed at the short-range problem of restoring Western Europe's economic and financial strength after World War II, the Alliance is directed at building economic and financial strength into Latin America on a long-term scale never before attempted. But the important comparison between the Alliance and the Marshall Plan lies not in their respective aims but in their respective ways of going to work. In both cases the major decisions to set conditions and allocate funds are made cooperatively—in a partnership among the United States and its allies.

It is this fact more than any other which distinguishes the Inter-American Development Bank. IDB's President, Felipe Herrera, is from Chile; he ranks with Campos of Brazil, Prebisch of Argentina, and Santamaria of Colombia among the great economic statesmen of Latin America today. While we may differ with the views of these men from time to time, they clearly deserve our respect. These are the new men of Latin America who are dedicated to making real the vast promise of the region.

The staff of the Bank, together with its executive directors who represent the subscribing countries (including our own Tom Killefer), determine the allocation of IDB's funds according to sound banking techniques, modeled in large part on those of the World Bank. The United States, to be sure, has the most votes on the IDB board; the United States, to be sure, puts up most of the money, and could call the tunes itself. But the success of the IDB lies in the fact that the United States' role has been no more nor less than that of an equal partner.

This, of course, is true throughout the Alliance. It is not a United States aid program, pure and simple, though the U. S. does maintain a sizeable bi-lateral aid program under the Alliance. It is a program of self-help, conceived by the Americas, of the Americas, and for the Americas. The importance of this fact cannot be exaggerated, for the Alliance will not succeed except as it is a true partnership.

Is it really necessary to review the list of grievances which North American and Latin American have harbored against one another over the years in order to make the point that only as a partnership can the Alliance really succeed? In the United States, the failure of South America to become as prosperous and as modern as North America has led to a whole catalogue of myths, generally unflattering to Latin Americans, and these myths die hard.

Indeed, the stark economic facts of Latin America today *are* bewildering in light of the known resources of that region. Latin America's share of world trade has been declining over the past 15 years from 12 percent in 1948 to less than 7 percent in 1962-63. While the average annual income in Latin America has been rising slowly, it remains a meager $300 a year as against about $2,500 a year in the United States. And, of course, these regional figures mask a host of differences among the various Latin American countries. The race between economic growth and population growth is quite literally a life and death race in Latin America. There are now 200 million Latin Americans, slightly more than our own population. If present trends continue, this number will double in the next two decades.

These facts suggest urgent, even dire economic problems. Yet we still see in Latin America habits of government which from a distance confound us. We see from time to time a kind of inflation in some countries which throws into question the ability of the government to govern at all; it is not just a matter of a few percentage points a year in the cost of living; it is an increase in local prices of 80 percent or even 100 percent a year. We see chronic balance of payments instability going hand in hand with neglect of export production. We see hostility and indifference to the private sector even as that sector provides at least 70 percent of gross domestic investment in Latin America. We see these things from time to time and from country to country, and we tend to become not just bewildered, but more than a little self-righteous in our views of our southern neighbors.

At least in the eyes of many Latin Americans, we North Americans appear self-righteous. For they have their list of grievances against us, and high on their list is the grievance that we view Latin America from too much of a distance and in sorry ignorance of its history, its achievements, and even its geography.

For some time now, for example, most Latin Americans have been explaining their declining share in world trade on the basis of the fact that between 1955 and 1962 the prices of their exports rose far less than did the prices they paid for their imports. A penny's difference in the price of a pound of coffee means $25 million a year to Brazil; a penny's rise in the price of tin affects an industry responsible for three quarters of Bolivia's foreign exchange earnings. And so it goes in one way or another for 15 Latin American countries, each of which is still dependent on one or at most two basic commodity exports for the bulk of its foreign exchange earnings.

Latin America's heavy dependence on the export to the world market of a few key products is a result of the region's historical and geographical predicament. This same dependence goes far to explain Latin American attitudes towards private enterprise—particularly foreign private enterprise.

Geography is a very big fact in Latin America—particularly in South America. For decades it divided the continent into more or less isolated pockets of habitation. South America's west coast is sealed off by a mountain range that runs 4,500 miles from Venezuela to the tip of Chile. On both coasts the commercial lines of communication until very recently led, not to other parts of the continent, but to Europe and North America. One Latin American scholar has likened South America in the past to what the United States might have been like if its people had not crossed the Appalachians.

Until very recently in most of Latin America the capital city was the one important metropolitan center, and the center of modern economic life. Even today one third of the people in Argentina live in and around Buenos Aires; half of Uruguay lives in Montevideo; Lima is not just the biggest city in Peru, but bigger than all other Peruvian cities put together.

And if perhaps a third to a half of the people of South America lived until recently in and around one or two major coastal cities, the rest lived a world away in time, in thousands of isolated provincial towns and villages. In the heartland of South and Central America history and geography conspired to produce a society where the changes necessary for modern government and modern economic growth come very hard. Allegiances in many localities even now are to the locality rather than the nation. Yet the Spanish, who came three centuries and more ago to conquer and not to colonize, left no tradition which could evolve into modern self-government even on the local or regional level. Modern economic life grew up in the cities, was oriented towards exporting, and was dominated by foreigners. The cities themselves grew as centers of population and commerce much faster than as centers of government. Indeed, they were more often than not centers of chronic political instability.

This is the kind of background which students of Latin American geography and history ask us to keep in mind when judging Latin America's problems today. During and since World War II, the barriers of geography and history in Latin America have been coming down; the mountain walls have been breached and new and modern cities, like Cali in Colombia or Belo Horizonte in Brazil, have grown up. The great gulf between the cities and the countryside is slowly being narrowed and the cities themselves are yielding a new business class, such as one finds in Mexico, Brazil, Colombia, and Peru, which is dedicated to developing South America for the South Americans. But it would be naive to expect Latin America to throw off the ill-effects of its geography and history in any short period of time or to avoid a certain hangover from the past.

There is, of course, a legacy of resentment against foreign enterprise. Eugene Black, when he was President of the World Bank, told the story of the irate South American businessman who complained that "these big mining companies in my country leave nothing behind but holes in the ground." Unfair as the remark may be, it is understandable. The huge royalties and tax revenues which foreign investment leaves in Latin America each year are no substitute for a healthy, locally-owned private sector, producing for and earning from the local market. Before World War II, foreigners did dominate the private sector and often the export trades of Latin America. But World War II changed all that; locally-owned private enterprise in most Latin American countries has boomed since World War II, very often in spite of the policies of governments. One can say today that in many if not most Latin American countries new business and financial leaders offer the best hope for overcoming Latin America's economic problems—and, incidentally, for assuring in the future the economic strength and coherence of the Inter-American system.

As President of the Inter-American Bank, Felipe Herrera has dedicated himself to burying the grievances of the past and substituting a new relationship between North and South Americans based on mutual confidence and hard work. Señor Herrera is no ideologist; the word he most likes to use in talking about the IDB is "flexibility;" he doesn't preach, he practices. Thus he says—and I quote: ". . . We have endeavored to apply our funds to those projects where they will be used most effectively, regardless of whether the recipient belongs to the public or private sector." And what is the result of this endeavor? About half of the IDB's own funds have been committed directly or through development banks to Latin American private enterprises, mostly manufacturing enterprises. This ratio is much higher than in the World Bank where the bulk of the lending, even in Latin America, goes to state-owned public entities.

Like the World Bank, the IDB prides itself on being a tough lender when necessary. While the IDB has committed all told about $1 billion equivalent in the past four years, only about a third of that sum has actually been disbursed. The main reason for the lag between disbursements and commitments is the normal financial "pipeline" requirement. A special reason peculiar to the nature of the Bank is, in the words of its President, the need for "carrying out institutional and administrative reforms to ensure sound handling of the credit and ultimate success in execution of the project."

About one quarter of the IDB's resources have been committed for agricultural projects. There is broad agreement that agriculture is Latin America's most important and most intractable problem. Over the past thirty years per capita food production in Latin America has actually declined. But it is in the agricultural areas of Latin America that the past hangs most heavy over efforts to introduce modern methods and techniques. The IDB, often working with our bi-lateral aid program, has probably had more success than any other single agency in coming to grips with Latin America's agricultural problems.

IDB's technique in agricultural lending has been to work through farm credit organizations in most of its member countries, trying to bring modern technology and modern methods to small farmers. Some half a million acres of land have been brought under irrigation in Argentina, Chile, and Mexico, thanks to IDB loans and credits. More funds have been committed to land settlement and improved land use projects, usually connected with a land reform program.

Together with the World Bank and our own aid program, IDB has been part of a relentless attack on the geographical barriers which have divided and subdivided Latin America in the past. When the Brazilians and the Paraguayans had completed a highway link between their two countries, the U.S. agreed to finance its paving; now the IDB is studying the feasibility of a further link between Brazil and Uruguay. A trans-Andean highway between Chile and Argentina has been a dream in the minds of engineers in both countries for decades; with the IDB's help it may soon become a reality. So may a highway connecting Colombia, Ecuador, Peru, and Bolivia—to the east of the Andes, bordering the huge Amazon basin, an area about as big as the United States with a population of one person or less per square mile.

Breaking down the geographical barriers in Latin America is the kind of challenge engineers dream of. But the phrase "Latin American integration" means much more than this. As Felipe Herrera puts it, "Latin American integration on all its levels is the only dynamic force that can lead our countries rapidly, not only to their indispensable internal maturity, but above all to their true and rightful place in the concert of great nations . . . constituting the free world." To this end, the IDB, as the Bank of the Alliance for Progress, is dedicated.

The IDB, like the World Bank, has a "hard" window and a "soft" window. The IDB, like the World Bank, has to grapple with the fact that in addition to meeting legitimate needs for credit, they are to an important extent guardians of the international credit structure. Increasingly the hard problem of what we call "foreign aid" is the need, as Secretary Dillon puts it, "for reconciling the capital requirements of the developing countries with the need to preserve and expand a stable international credit structure."

Assistant Secretary Thomas C. Mann, who as you know is in charge of Latin American Affairs in the State Department, pointed out the other day that, excluding Venezuela, Latin American countries today must use 20 percent of their export earnings to service their foreign debts. I do not have to tell you that when the burden of debt service is this heavy, no good banker is going to increase the load without thinking long and hard beforehand.

The IDB has been receiving supplementary contributions from its member governments, largely from the United States, ever since the Alliance was proclaimed at Punta del Este in 1961. From the beginning of the Alliance the United States has regarded this multi-lateral bank as a vital instrument in the Alliance and arranged to channel a significant portion of our foreign assistance funds through it. But now these funds have all been committed; Congress has been asked to authorize $750 million to replenish the "soft" window of the IDB over the next three years. I earnestly urge you to acquaint yourselves with this matter and, if you feel as I do that the IDB has earned our continued support, I hope you will make your views known.

The Alliance for Progress, as I have said, is one of the most ambitious exercises in international cooperation ever undertaken in peace time. Economic development is the immediate objective of the Alliance, self-help the key to its success. But these are easy words. "At times," as Felipe Herrera says, "observers simply fail to understand the very nature of the changes sought in the belief that within a few short weeks or months our countries can replace or modernize their entire institutional structures." He was referring to what he called "a dangerous discouragement . . . regarding the prospects of cooperating with Latin America" which he detected "in certain advanced countries." Surely we should be on guard against such discouragement; surely we should recognize that just as Latin Americans suffer some hangover from the past in viewing our actions, so we suffer similarly some hangover from our past indifference to and ignorance of Latin American affairs.

It is often observed that the Communists have a vested interest in everybody else's *troubles*. Perhaps what separates us most from the Communists is that we have a vested interest in everybody's *progress*. Ninety miles off the coast of Florida, Cuba lies as a dramatic warning to all of us.

I was an elected Representative in the Federal Government of the United States when Castro took over control and when he moved Cuba into the Communist orbit. It would be sheer hypocrisy for me to duck my very small part of the blame because I feel strongly that all of us, Democrats and Republicans, the Congress and the Executive, share the blame. I have pondered the reason for our initial problem in Cuba and, while no one can be certain, I would ascribe it largely to misunderstanding.

If this be so, then it is not a mistake I wish us to repeat elsewhere in Latin America.

At this moment our Latin American problems fall into two rough classifications—financial and political. Rather than looking for someone to blame, I would urge you all to assume your responsibility to help search out workable answers in the financial sector. At least one answer is the IDB. I commend it to your study, and I can hope for your support in the next Congress. But even more than support, the nation needs informed opinion and understanding in our cooperative attack on the problems of our Good Neighbors to the South.

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