Economic Development in the Diplomatic Relations of the United States and the Republic of Chile, 1952-1960

Charles E. Argast

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Date May 15, 1961

Committee:

Chairman

Thesis title:

Economic Development in the Diplomatic Relations of the United States and the Republic of Chile, 1952-1960

Thesis approved in final form:

Date May 15, 1961

Major Professor G. M. Waller

by

Charles E. Argast

A Thesis submitted in partial fulfillment of the requirements for the degree of Master of Arts, Department of History and Political Science.

Division of Graduate Instruction
Butler University
Indianapolis
1961
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It is with a sense of real appreciation that the writer expresses here the credit due to Senor Jorge Burr, Minister Counselor, Embassy of Chile, Washington, D. C., for his helpful comments and interest in this project. Hon. Joseph W. Barr, former Eleventh District Representative, Indiana, deserves special thanks for accommodating the writer with contacts in Washington. Mr. R. F. Rodrigues, Bureau of Foreign Commerce, Department of Commerce, Washington, assisted the writer in many ways, but particularly in reviewing unpublished materials in his possession. Mr. Nathan Haverstock, Latin American section, Library of Congress, was most helpful in obtaining materials which would otherwise have been unavailable for this work.
Preface

The most casual of readers of current events must be impressed with the amount of space given Latin America affairs in the many forms of popular publications. The field is charged with a political emotion that could be most disastrous for both the United States, and the republics themselves. For despite the impressive state of private and Congressional literature on the subject of United States relations with Latin America, there is lacking the substantial direction of a coordinated, organized policy by the United States towards the area in general, and the separate republics in particular.

The United States Senate has recently published the most reliable summary of opinions about the state of affairs as a guide to its own action. It is not surprising that the common problem is one of information. For some strange reason, the foreign policy of the United States has not reflected "what" the problem of Latin America really is.

It is our purpose here to deal with one side of the coin of this "problem", economic development. We are considering too only one of the republics. It is a real challenge to find in print today any serious study on Latin America that does not attempt to handle one or
more of the republics at the same time, while dis-
cussing one or more of the problems of Latin America. This desire for oversimplification is startling, and in view of the essentially important individuality of the Latin American republics, is bound to lead to failures on our part if not corrected. Because of our tendency to generalize, we feel that the Latin Americans must sense a lack of serious purpose on our part.

The Republic of Chile represents a good selection for such a necessarily brief study as this paper will be. For Chile is the most remotely located of the republics in terms of distance from the United States. Yet her climatic location, and elongated geographical situation, along with the ninety-five percent European population mixture, tend to create similarities to the United States that make her problems understandable to us. Too, the central problem during the post-war period in Chile has been inflation, one which the entire world has closely watched.

We will attempt, perhaps inadequately, to set down an organized body of related and unrelated economic development programs during the period of 1952-1960, as utilized by the Chilean Republic. The relationship of these programs to United States foreign policy will be indicated. Because of the scope and seriousness of the
economic problems facing Chile, we have attempted to
direct our attention on as wide a scope as possible in
the review. There is no claim here to ward stressing
any one item over another. Rather, in presenting the
activities for economic development by one of the
republics, perhaps one of our most important friends
in Latin America, to reflect on a course of future
action which our government might consider.
CHAPTER I

Introduction

Economic development is fast becoming a slogan of the Cold War age. It may be that this term will be placed along with nationalism, militarism, and imperialism, as causes of future wars. The term economic development has been popularized by the emphasis placed on the subject of the under-developed areas of the world, particularly in the United Nations. For the purposes of definition, economic development will be used in the widest sense. It applies to the policies, techniques, technical and scientific programs and plans, as applied by government and non-government facilities and apparatus, for the purposes of beginning, carrying forward, and improving the development of a country's gross productive capacities.

The subject of discussion here will be a consideration of economic development within the framework of United States' foreign policy, and specifically its application in the diplomatic relations between the United States and the Republic of Chile. The selection of Latin America as the area for discussion is based on its relative importance to United States' interests. In turn, the Republic of Chile represents one of the more advanced of the states classified in the category
of under-developed, and perhaps the most important of the Latin American republics were seriously experimenting in the techniques of economic development. An examination of the subject of economic development in United States' foreign policy as regards our diplomatic relations with Chile, would prove valuable if found to be an effective "new" arm of our foreign relations.

In recent years, there has been a noticeable increase of interest in the economic history of peoples. Perhaps the passing of the age of exploration of the earth's surface, and the stabilization of various societies in specific areas, has turned our attention to the potentialities for economic development of these areas. It is not so surprising therefore to view the social and political revolutions during the past fifteen years as basically economic upheavals. In a sense, the industrial revolution is catching up with these under-developed areas of the world.

At the conclusion of World War II, United States' foreign policy faced a new challenge. War had required an adaptation from previous policies of non-intervention and isolation. The new challenge was one of a role demanding free world leadership. That this challenge was accepted is reflected in the effects upon United States' foreign policy during the post-war years. Agreement in this area has become almost a tradition of
bi-partisianship. There may have been political and diplomatic differences on the types of techniques employed and the degree of participation by United States' leadership. But on the other hand, there has been a very clear objective in the general aim of military preparedness for the United States and the recipients of our assistance. The place of economic development has always been properly positioned in terms of the recipient nation's ability to protect itself, and share in free world responsibilities to keep the peace. That this last statement be properly appreciated is essential to the context of our subject at hand.

The tenor of United States foreign policy after World War II was keyed in direct relationship to that of the Soviet Union. Consequent upon this was the development of policies directly related to the state of military preparedness among the available allies, and the economic reconstruction of all those nations willing to shoulder the responsibility of military power. The Marshall Plan became the keystone for the new bloc of nations intent upon sustaining freedom from any new aggression. One of the amazing results of the challenge of free world leadership has been the financial investment by the United States in this single venture of military-economic reconstruction and revitalization.
One of the by-products of this post-war foreign policy development by the United States is the resultant decline of our Latin American programs. It might be a fairer interpretation to say that the decline was one of emphasis of interest rather than emphasis of intent. It can not be justifiably claimed that our government became less friendly with Latin American countries or ignored their presence in the family of nations. The single purpose of the United States foreign policy in the development of an allied military-economic rehabilitation had its obvious limitations. Any serious discussion about United States-Latin American relations must evaluate the role of the United States in world affairs, particularly in terms of the so-called Cold War with the Soviet Union. The Cold War commitments of our government consequently delayed and postponed action on matters of equal importance in many other areas of the world.

The really significant issue between the United States and Latin American republics during the post-war period has been over the role of each in the scheme of things for a free world. The burden of responsibility must rest upon the United States for the emphasis given the direction of this role. It is apparent that the foreign policy of the United States
envisioned the role of military preparedness and strength of its allies as the important of all factors. That such a role would be seriously proposed to the individual republics reflects the bankruptcy of United States information regarding Latin America. Our persistence on this subject has lead to the serious deterioration of the state of good will towards the United States enjoyed at the close of the war. The Latin American republics, individually and as members of the Organization of American States, have persisted in their own viewpoint as to what their role should be. The desire for well-being, economic opportunity, and a sense of security based upon individual, internal development, has been the prevailing issue before most Latin American leadership.

No one would question the role or contribution of the Latin American countries during World War II. Evidence of the vital importance of these countries to United States' defenses and future security is now recorded. It may be questioned why the United States failed after World War II, to properly acquaint itself with the problems facing Latin America and fashion the role of the republics in a constructive manner. In view of the economic importance of Latin America to the United States, it is surprising that as late as
Dr. Milton Eisenhower's 1958 good will mission to Latin America, he would still reflect that our foreign policy had overstressed the role of military preparedness as the primary item in Latin American relations.

Students of Latin American affairs are well aware of the tenderness of the subject of militarism in the Western Hemisphere. If an equal emphasis had been allowed to the desire for economic assistance and development as was given in fact to military values, the results for our Latin American relations might be different today. We must accept the responsibility for our ignorance of the facts.

To permit a proper appraisal of this question of the role to be played by a Latin American republic in the Western Hemisphere scheme of things, it would seem proper to review an example of how the interpretation of the role appears to one of the republics. A proper statement of the economic facts of life concerning one of the partners of our Western Hemispheric policy would clarify why the role of economic strength and forward development has been considered of prime importance to Latin Americans.

In the examination that follows, United States relations with the Republic of Chile, during the period 1952-1960, has been selected with a purpose in mind.
This period covers the six year administration of President Ibanez of Chile, and coincides with that of President Eisenhower's eight years. The first year of President Alessandri's new administration, 1959, is briefly touched upon to reflect the intentions and changes affected by that new Chilean leader. The economic changes in both countries during this period are remarkably significant, particularly insofar as the economic changes in the United States had effects in Chile. The struggle to curb inflation by the government of Chile during this period has become one of the exceptional economic battles of the post-war period. We can not say that the example of United States-Chilean relations during this period serves as any barometer for our overall relations in Latin America. But we can say that United States efforts with this one particular republic do reflect on our overall foreign policy approach towards Latin America.

The complexities of reviewing the current economic and diplomatic activities between two such nations is obvious. Current information is always subject to too much emotion and possible inaccuracies. To avoid a charge of incompleteness, we will deal with the subject in terms of trends toward specific results. This is particularly important when discussing Chilean
affairs.

The Republic of Chile has been one of the most active of the Latin American countries in testing and trying programs aimed at its own economic development. Chile has had a governmental tendency of learning by doing. This body of experience from action on national problems has resulted in the development of a traditional reservoir for future leaders. Despite the desire for immediate results and successes, a pattern of gradual change and accommodation has tended to more permanence and stability than the short term, emergency activity.

We will view the multitudinous plans and programs initiated by the Ibanez administration, most of which produced no immediate results. On the other hand, we will experience a beginning of the implementation of many of these same plans and programs during the first year of President Alessandri's administration. It will appear as though a second-thought had occurred about their value. Often the second-thought activity seems more deserving of support than its initial adventure.
CHAPTER II

United States Objective in Respect to Chile.

In a 1959 report on the Republic of Chile, the Department of State of the United States listed four points for consideration in respect to our objective toward that country:

1. To maintain the respect and friendship of the Chilean people.

2. To be ready, whenever United States' help is desirable and can be effective, to take action which will contribute to Chilean economic and political stability.

3. To win Chilean understanding of and support for our objectives in the U. N., O.A.S., and other international organizations.

4. To assure fair treatment for American properties and business interests in Chile.

It would be difficult to improve upon this diplomatic summation. Realistically, such a statement covers the generalities concerned in the relationships of two friendly countries. We must turn, therefore, to other sources for an implementation of such an objective.

Official comments on our policy towards Chile, during the period 1952-1958, are fragmentary. They are, at best, remarks from longer statements on Latin American policy as a whole. One such remark comes from an assistant secretary for Inter-American Affairs of the Depart-

ment of State, in a talk delivered during the 1952 general elections in the United States. Discussing the "Achievements of Inter-American Cooperation," the speaker cited Chilean cooperation with the United States, as an exceptional example of the success of our program. Since the Korean War had created new copper shortages on world markets, the speaker urged a more moderate position on the part of the Chilean government for the price of its precious metal. In the next breath, the cooperation between the two countries is cited in the matter of planning an eventual steel mill to be erected at Concepcion, Chile, and development of electrical resources necessary for industrial progress in that area.\(^1\) The admonition on the one hand is hardly justified by the action on the other. Considering the importance of copper to both the United States and Chile, it seems strange that if cooperation were to be satisfactory in either case, a settlement on such an issue would necessarily preclude all other. Soon after this official statement, the Department reported briefly on its willingness to cooperate in the findings of a joint mission of the U.N. to Chile on the development of that country's agricultural resources.\(^2\)


Despite such expressions of good will and cooperation, the Ibanez election of 1952, was considered to have reflected the unpopular position of the United States in Chile. Cecil Robinson, director of the Chilean-North American Cultural Institutes at Concepcion, wrote for the Yale Review (1953), that he had experienced a decided wave of anti-Americanism in Chile, before his return from a tour of duty for the Department of State. He reported that the Department had been most wary of any bold moves to combat this attitude because of its persistent policy of non-intervention in domestic affairs in Latin American countries.¹

President Ibanez had been described in many publications as a former ex-dictator and friend of Peron of Argentina. A quick review of the popular votes of that 1952 election may be of interest:

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<th>Candidate</th>
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<tr>
<td>Ibanez</td>
<td>432,920</td>
</tr>
<tr>
<td>Matte</td>
<td>252,648</td>
</tr>
<tr>
<td>Alfonso</td>
<td>183,878</td>
</tr>
<tr>
<td>Allende</td>
<td>51,984</td>
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R. J. Alexander, an authority on Latin American politics, has analyzed this election and credited Ibanez election to five factors:

1. Fifteen years of inflation, annually getting worse.

2. General discreditment of all of Chile's major political parties, most of which had supported retiring President Videla's unpopular policies.

3. The high handedness of the Videla government, particularly in the ill-fated "Defense of Democracy Act," which had outlawed the communist party, but had been applied against opponents of the government in other parties.


5. The ineptitude of the United States in pushing the unpopular U. S.-Chilean Military Defense Treaty of 1952, which Chilean voters viewed as reflecting too little United States concern with Chilean economic recovery and development, too much concern with the Cold War.

There is little wonder that there was considerable concern in United States diplomatic circles when a projected visit by Peron was planned in Chile in early 1953. Immediately after World War II, the Peron government had made possible an important and impressive $175 million loan to the Chilean government. Despite popular sentiment against Peron in Chile, President Ibanez


expected improved relations with Argentina to directly benefit his administration. But the invitation to Peron proved very unpopular in Chile, and the mission proved to be a failure from its inception. Fortunately for the United States, President Ibanez moved steadily away from Peron after 1953, and towards improved relations with the United States.¹

In the spring of 1954, Preston Hotchkiss, United States representative to the Economic and Social Council, U.N., answered charges of the Soviet Union's representative that the United States was abusing Latin America, by citing private United States investments in Chile, as an example of cooperation with economic development. Using the Council's own "economic survey" as evidence, Mr. Hotchkiss called attention to United States' private investment in native Chilean industries producing glass products, tires, synthetic textiles, all of which the report established as entirely consumed by the Chileans themselves.²

Later in 1954, Thurston B. Morton, assistant-secretary for Congressional Relations, reported on the cooperation achieved between the United States and Chile, in the matter

of copper sales to Soviet markets:

It is our responsibility to guard against the rise of communism elsewhere in Latin America. The principal danger points are those countries which lack diversified industries. Chile's dependence on copper and nitrates is well known. To aid the slipping market after Korea, the U. S. stockpiled one hundred thousand tons of copper. Chile at the same time agreed not to ship behind the Iron Curtain, although the Soviet Union agreed to purchase surplus copper of her. ..Agricultural production has suffered in Chile due to the industrial boom there, and neglect. We are sending through our Foreign Operations Administration technicians and demonstrators to Chile to assist in restoring its agriculture.¹

We can find our best statement of United States' objectives towards Chile, implied from a development of the following points discussed by Henry F. Holland, assistant secretary of State for Inter-American Affairs, in October, 1955:

**OBJECTIVES ARE IN GENERAL PRINCIPLE:**

1. To encourage the economic, industrial, commercial development of the Republics:

   (a) because, economic expansion creates trade with U. S.

   (b) because development means a strengthening of the same spiritual and moral principles we share together -- sanctity of the individual and his freedom, his well being never sacrificed to the benefit of the state.

2. Our policies should be so clearly stated as to permit all to know them.

3. That our policies encourage all enlightened, self-interest, as part of all the governments.

4. To adhere strictly to a policy of nonintervention, as a basis of the Inter-American system.

OBJECTIVES OF OUR SPECIFIC FOREIGN POLICY:

1. Economically to assist in the build-up of stronger economies and to raise the standard of living, in keeping with their heritage of a religious approach to life, its emphasis on man's personal freedom and dignity.

(a) By an increase of trade,
(b) the use of our technical knowledge,
(c) the encouragement of private investment,
(d) and to the intensified activities of the Export-Import Bank for private business development.

2. Politically, on the basis of our inter-American treaties and principles of non-intervention, to seek peaceful solution to disputes and protection of our principles through the Organization of American States.

3. Militarily, to encourage the concept of a joint American homeland to whose defense each makes a coordinated contribution in terms of capacities.

4. Culturally, to broaden, strengthen mutual understanding and respect that are the strongest ties between our peoples.

These views properly restate the opinions as to the objectives the United States should have regarding Latin America, as stated by Dr. Milton Eisenhower following his 1953 fact-finding mission to the area. It is most surprising therefore to turn now to the Eisenhower report of 1958, by way of commentary on the successful realization of these objectives during the period, 1953-1958.

The Eisenhower Report of 1958 on Latin America

Dr. Milton Eisenhower had recommended a nine-point Latin American program to the President as a result of his 1953 mission. Basically he had called for a stabilized and consistent trade policy, with a stockpiling facility for those imperishable materials we import that are subject to wide market fluctuation in values. To encourage private United States investment, tax-free incentives were recommended, with public loans were suggested for economic development where private capital could not assist. He further recommended an extension of technical assistance, and the use of surplus food supplies, and a joint cooperative approach for the fullest use of technical cooperation programs with related groups in the United Nations and the O.A.S.

The 1958 Eisenhower report presents a clear case of indictment for the failure of our government to accomplish the ends proposed in 1953. The 1958 report is couched in a sense of disturbed alarm at the state of inter-American relations, in comparison to what it had been in 1953. Dr. Eisenhower reported a state of gross misconceptions about certain basic ideas during his 1958 trip. These misconceptions he classified in three basic groups: (a) that United States' lending potential is unlimited, and that our country was discriminating against Latin America in the use of our funds; (b) that we fix prices
in this country, thereby seriously affecting the many one-product economies of Latin America; (c) that the United States tends to support dictators in Latin America, rather than democratically selected governments.

To combat these misconceptions, Dr. Eisenhower recommended that the United States government initiate a new program to improve "understanding" of our policies with Latin American countries. To accommodate this in each individual country, a committee of one hundred leading citizens of that country would join our governmental effort to improve the proper exchange of information. He further called for closer cooperation between our own National Commission for Latin American Affairs, the Department of State, and such agencies as the U.S. Information Agency, in order to keep our own citizens informed about Latin America.

By its own admission, the report points a finger at the government's own facilities for failure to keep itself posted on problems in the field, particularly in the area of information. Dr. Eisenhower presents a very lengthy series of proposals, somewhat repetitious of 1953, from which our government might regain the incentive in Latin American affairs:

1. To provide technical development loans:
   a. through a newly proposed Inter-American Bank, with special assistance from our International Cooperation Administration;
b. by furthering cooperation between the new Inter-American Bank, and the existing International Bank and Export-Import Bank;

c. to permit technical cooperation to be directly under the supervision of the U. S. Ambassador in each country.

2. To improve information facility:

a. particularly to those interested in laws and regulations on our marketing quotas, and fullest exchange based on our contact with world markets affecting single product economies;

b. to participate in study groups with those countries faced with single product economies.

3. Regarding nonintervention and recognition:

a. to reduce to a formal handshake recognition our relations with so-called dictators;

b. to refrain from granting any special recognition to such dictators.

The immediate result of the 1958 Eisenhower Report was a new vigor given the approach to the subject by Congress. Two reports of Congressional Committees have been recently published which reflect a changed attitude on Congressional levels. In May, 1959, the subcommittee on Inter-American Affairs of the Committee on Foreign Affairs of the House of Representatives submitted a report on the subject of Latin American relations. This report

clearly outlines in precise language the strategic, economic, and political importance of Latin America to the United States. The report largely endorses Dr. Eisenhower's proposals. In an admission of error in neglecting Latin American economic development, the report made the following recommendations:

1. To modify our attitude towards Latin American dictators.

2. To increase our reliance on the Organization of American States.

3. To revise our military aid program by
   (a) providing for an orderly and gradual reduction of military armament grants;
   (b) but to retain the well-received military training grants afforded to interested republics.

4. To encourage more nongovernmental, people-to-people activities.

5. To expand a binational center program, in line with the Eisenhower's 100 leading citizen committees.

6. To sustain news coverage of Latin American developments by the news media.

The second Congressional report is perhaps the more important. Under Senate Resolution 31, 86th Congress, February 2, 1959, the authority of previous Resolution 330, 85th Congress, July 28, 1958, was continued to allow expenditures for the preparation of studies of United

States-Latin American relations. Under the direction of the subcommittee on American Republics Affairs of the Committee on Foreign Relations, an eight-part study was outlined for investigation under private and independent auspices to furnish the Committee on Foreign Relations with proper and dependable information about this subject. There is little doubt that these reports individually and formed into a body of reports on the subject of Latin American relations, comprise the most impressive undertaking by a Congressional body in recent diplomatic history. A very brief summary of these reports is essential to furthering our knowledge of United States objectives towards Latin America, and Chile in particular.

The first study, of post World War II political developments in Latin America, was prepared by the School of Inter-American Affairs of the University of New Mexico. This report graphically illustrated that the one "overwhelming political development...since World War II, has been the attainment of political power by the people." Reflecting United States failure to properly appraise the impact of the new nationalism in the republics, the eagerness for an extension of our own world-wide anti-communist campaign has prevented our leaders from properly appraising the essential importance of Latin American leaders and their interest in their own internal social and economic problems.
The report makes a statement of significance:

If the two major antagonists in the cold war both exploit the area for their advantage, Latin America, feeling that it has no stake in the international conflict, will assume a neutral position. To the Communist will belong the future, if they succeed in capturing control of popular nationalist revolutions, either by default due to insufficient U. S. vigilance with respect to the subversive threat or as a reaction against too close United States identification with the traditional order.

The following recommendations from this study are summarized as to their important points:

1. In the area of collective security, the U. S. should promote disarmament in Latin America, at the same time de-emphasizing the military aspect of our own policy.

2. In the area of democracy and dictatorships, the U. S. should pay more than lip service to struggling civilian democracy in Latin America, at the same time remaining neutral towards existing dictatorships.

3. Because "the key Latin American determinant of political cooperation in U. S. assistance is in the resolution of economic problems," the U. S. should develop long-range economic assistance programs (not year-to-year), particularly avoiding those regimes bent on preserving an outworn order.

The second of the reports to the Senate was prepared by the International Economic Consultants, Inc., Washington, on the subject the commodity problems of Latin America. This technical report restates the economic facts of life for Latin America. But it bravely calls

---

for a liberalized U. S. import policy, financial assistance to develop diversification in the restricted areas, and for international action on commodity problems. The report specifically criticizes the closed-minded approach of the U. S. on the subject of market regulation through commodity agreements, including the adequacy of the administration's plans for future action on commodity problems.¹

The third of the reports to the Senate was prepared by Northwestern University, Department of Political Science, on the subject of the Organization of American States. It is a thorough reporting job on the structure, importance, and future of the O. A. S., in terms of the United States' foreign policy. In some frank and practical language, the study recommends the establishment of an Inter-American auxiliary force (similar to the U. N.), along with a special Inter-American military college; the relocation of the O. A. S. headquarters in an inter-American district; the establishment of an inter-American university for special studies; and to begin steps toward the multilateralization of the Panama Canal under the aegis of the O. A. S. Each is certainly a constructive proposal aimed at the strengthening of

the O.A.S.¹

The fourth study deals with United States business and labor in Latin America, and prepared by Research Center in Economic Development and Cultural Change of the University of Chicago. It is a welcome contribution to the already impressive library of information on business conditions in Latin America, but particularly on the complex matter of labor conditions. Its long list of serious recommendations is extremely important reading for their reasoning, particularly in the value of exchange programs between U. S. and Latin American labor.²

Policies affecting economic relations is the subject of the fifth study prepared by the National Planning Association, Washington. This report recommended that one of the first requirements for improved relations was a change in the attitude or spirit with which these policies have been administered. The N.P.A. expressed the view that an organizational device similar to that of the coorinator of Inter-American affairs employed during World War II, would be an improvement in the method for handling hemispheric affairs. The report called for more long-range policy and program planning,

and the abandonment of broad-term views and goals in preference to those aims wherein possibilities for greater integration of the Western Hemisphere as a whole could be attained.¹

The sixth study, prepared by the Institute of International Studies and Overseas Administration of the University of Oregon, deals with the problems of economic development. This report deals with the topic most neglected by U. S. interests. Because of certain past failures of various projects attempted by Latin American countries, a rigid device was recommended for future programs based on international recommendation as to the ability of recipient countries to perform. A thorough-going recommendation for closer coordination among lending institutions to utilize all available capital, particularly through a new Inter-American Development Bank, was particularly stressed.²

The seventh study, dealing with Soviet Bloc activities, was prepared by the Corporation for Economic and Industrial Research, Washington. A most enlightening

survey of the state of Communist penetration and programs is followed by recommendations to overcome the Soviet Blocs' basic drive to neutralize the area. A thorough-going reorientation of the United States' political approach was recommended to the Congress and the executive branch of the government in order to break with the complacent tradition of our Latin American affairs. To accomplish this end, the Department of State would be required to establish a larger and more qualified corps of specialists permanently attached to this field of service. The method of handling Latin American affairs by our government demands a thorough going-over, based on a frank change of philosophy regarding the importance of the Latin American area to United States interests.  

The eighth study, dealing with the "Organization of the U. S. Government for Dealing with Latin American Affairs," is being prepared by the Brookings Institution, Washington, and is still to be published. This final study could be one of the most important of this group of studies. Its recommendation could mean the difference in the success or failure in the utilization and implementation of the valuable information produced by the other impressive studies.

Since the beginning of the Congressional studies reviewed above, the Congress has approved the recommendations of the National Advisory Council and President Eisenhower for the establishment of the Inter-American Development Bank. The United States had long remained cool toward the idea of the bank as proposed by the Latin Americans themselves, preferring to handle development loans through the facilities of the International Bank for Development and Reconstruction and the Export-Import Bank. The endorsement of the new bank reflects a reversal of United States government policy, and acceptance of the view that it was desirable to have a specialized institution dealing with the needs of this area, supported at the same time largely by their (Latin American) resources, and permitting the Latin Americans themselves the opportunity of establishing their own priority on authorized loans.1

With its official opening in Washington, in March 1960, the Inter-American Development Bank had an initial and modest subscription of $150 million from the member republics to begin its new tasks. The 40 per cent subscription by the United States was a disappointment to

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some Latin American leaders, who had hoped for a more substantial contribution as expressing a changed attitude insofar as our Latin American policy is concerned. The eventual capitalization of the Bank is planned at $1 billion, but somewhat modest besides the $18 billion subscribed to the International Bank, $14 billion with the International Monetary Fund, and $7 billion with the Export-Import Bank -- considered the world's largest development and stabilization institutions.

Hemispheric Defense Reviewed.

It would be an oversimplification to state that the Eisenhower Report of 1958, and the accumulative summaries of Congressional reports, pointed up the failure of our foreign policy as regards Latin America. It is proper and necessary to sort out among the maze of facts and figures exactly where and why our foreign policy lacked the force to crystallize positive results, or at least favorable attitudes among our Latin American friends. The key is doubtless found in the mutual attitude among the parties to hemispheric defense.

Thomas W. Palmer, Jr., presents a very thorough appraisal of U. S. deficiencies in his Search for a Latin American Policy. What he describes as a very

distorted vision of Latin America in the U.S., coupled with what might be called an inferiority complex over Yankee intervention in Latin American affairs and overzealousness for a secured hemispheric defense program, has lead our government not to properly gauge the importance of internal development among Latin American leaders. By misdirection and misinformation, we have permitted the view to develop that the U.S. is disinterested in any problem unrelated directly to the problem of security.

Further substantiation to this interpretation was expressed by C. K. Yearley, Jr., when he wrote of "Latin American Complaints:"

In seeking explanations for sharpening criticism of U.S. policies and attitudes from within the region, the existence of this vast economic frontier may be the key. Frontiers seek their cures in capital; thus their fears of a financial "starving time" react upon the sources of supply, ...Recent anti-Americanism has been rooted largely in the problems produced by this extraordinary acceleration of activity and by the tumultuous changes that have followed in its wake. While few assailed the virtues of the Marshall Plan etc., many felt that charity should begin within the hemisphere...and vigorously questioned whatever warped logic sanctioned the bestowal of more lavish bounties upon our former enemies....

That the issue of hemispheric security had to be properly resolved between the republics was discussed by

Ezequiel Padilla in terms of pan-Americanism and solidarity, in a review of the problem he prepared for *Foreign Affairs* in 1954. Padilla clearly demonstrated that Latin Americans had abandoned the Peron idea of an exclusive fraternity of Latin American peoples as "the" answer to Latin American development. In fact this rejection of Peron was an expression of the aversion to dictator-leadership of Latin American causes; and that such leadership only tended to destroy the O.A.S. Instead of capitalizing upon this trend in Latin America, Padilla contended that U.S.' neglect of Latin American economic development and our apparent encouragement of men like Peron was in effect endangering the whole picture of hemisphere defense.1

A few comments on United States-Chilean relations regarding hemisphere defense are most revealing. In a 1953 review of Chile's position in our defense arrangements, Mr. R. N. Burr cited Chile as the "key" to the U.S. in any inter-American defense system. Chile's vast copper resources make her a vital partner in such matters. More specifically, Chile could provide the essential leadership required in such affairs among most

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Latin American republics.\textsuperscript{1} Notwithstanding Mr. Burr's reflections, the U. S. had previously (1952) blundered in the negotiation with the out-going Videla government in reaching agreement on military affairs during an election punctuated with demands for economic reforms. The consequent election of former dictator Ibanez only further muddied the diplomatic waters.\textsuperscript{2}

Following the election of President Jorge Alessandri in late 1958, Chile began to emphasize her role of leadership among Latin American republics on the subject of hemispheric defense. Realizing the economic drain of military programs, President Alessandri called for an end of armament competition among the republics. Almost at once support for this view came from Argentine, Brazilian, Ecuadorian, and Peruvian sources.\textsuperscript{3}

**Summary**

United States' objectives towards Chile have been stated in the most general of terms. The record seems to substantiate the view that despite the rising criticism of over-emphasis of military preparedness theme by the

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2. See pages 6-10 of this report.
United States, there was little or no reflection given in United States policy to the request for specific economic development assistance not related to our overall military program. Considering the obvious importance of Chile's copper resources to any hemispheric defense system, the direction of United States' policies has not reflected any intent to gain cooperation of that republic in such a system by cooperation from the U.S. in Chilean economic programs. The picture is, of course, not just black and white. The following chapters will review various areas where the U.S. has actively cooperated in Chilean programs. The basic point here is that, as the record indicates, our foreign policy direction towards the Republic of Chile has not reflected specific concern with economic development per se, but is contributive evidence that no such programs actually exist on a scale proportionate to the emphasis required by that Republic.

It is apparent that our objectives towards a nation such as Chile must be clarified if satisfactory relations are to be expected in the long term. The military preparedness race has taken on the flavor of a battle of giants. A nation such as Chile, whose tradition has been its best instructor on the futility of armament build-up, and whose future seems cast in the modern mold of economic development, represents an example in Latin
America, elsewhere in the under-developed areas of the world. But primarily, our direction and intention must be resolved where our interests are most affected, Latin America. And our direction and intention should first be resolved in an area where experience and tradition predict substantial results for our own cause, and in the Republic of Chile.
CHAPTER III

The Capacity for Chilean Economic Development

The Republic of Chile represents one of the outstanding examples of a one product economy in Latin America. Chile's Twentieth Century economic history would be written around nitrates and copper. The two World Wars found Chile's mineral wealth of obvious importance, particularly to the United States. Peculiarly, the mineral wealth of the Republic represent the world's largest known deposits of both, perhaps an unfortunate blessing of nature. If we are to consider whether economic development is a proper device for emphasis in a United States' policy toward Chile, it would seem reasonable to determine whether and to what extent Chile's economic development is possible beyond her one product potentiality.

With the advance in the utilization of aluminum as an electrical conductor, we may wonder whether the story of Chile's nitrate industry may repeat itself for Chile's copper deposits. From the turn of the century to the end of the first World War, the exploitation of nitrates lead to a rapid extension of Chile's economic life. A dramatic and tragic collapse of this native industry was predicted when the Germans introduced synthetic nitrates
during that war. The results to Chile's economic life is a perfect example of the effects upon a one product economy from forces beyond any foreign policy control.\(^1\) The tremendous struggle carried on in Chile to preserve this vital industry continues even to this day. The valuable experience gained from facing the effects of lost markets in a one product economy has benefited the Republic in understanding the importance of economic development. From a position of world monopoly in nitrates in 1910, and considering the annual increase in world demand for nitrates, Chile's share in the world market was only 6 per cent of the world's supply in 1950, and only 3 per cent by 1959.\(^2\)

In the face of this declining market for the world's largest supply of natural nitrates, the Chilean government has taken vigorous steps to bolster this industry. Under the watchful and planning direction of the government controlled COVENSA, Nitrate and Iodine Sales Corporation, several economic measures have been implemented to create new life in the Nitrate industry:

1. Through 1954 legislation, a more favorable investment climate has been created for the industry.

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1. "Chile" (Washington, Pan American Union, 1957) 20. "From 1850 to about 1930, the production of natural nitrates was a major industry; but the increasing use of synthetics had reduced nitrates exports to about half their former peak by the early 1930's."

Known as the Nitrate Referendum, inducements in the form of protected exchange rates, tax incentives, custom duty exemptions, were allowed to induce investment and provide greater "efficiency" in production.

2. Foreign loans to allow expansion and development were arranged by the government.

As a result of this action, the principal producers, Anglo-Lautara Nitrate Company, an American company which produces 60 per cent, and COSATAN, Compania Salitrera de Tarapaca y Antofagasta, which produces 24 per cent of the total nitrates, have embarked on an expansion and modernization program. Credits arranged by the Export-Import Bank of Washington, have placed nearly $33 million with these two producers.¹

Nitrates earn Chile nearly $60 million annually in foreign exchange. 45 per cent of the 1.2 million tons exported in 1957 reflected United States orders. As an example of private U. S. investments, and financial cooperation, the nitrate industry is a formidable argument for foreign policy implementation in the area of economic development. The Industry represents the best example of Chilean determination to overcome obstacles in an area where the more faint hearted would have abandoned hope.²

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2. "Chile" (Washington, Dept. of State, May 1959) 9. See the Appendix, Tables 1-4, for itemization of exports-imports.
The nitrate industry of Chile is the parent of Chile's important new chemical industry, which in turn is producing a limited number of basic industrial chemicals: sulphuric and hydrochloric acids, carbonates, ammonia, glycerin, and sodium products. Explosives are manufactured by some of the larger plants. Finally, Chile is the world's leading producer of iodine.

It has been one of Chile's chief aims to diversify her sources of economic life. Tied hand in hand with her major export items (copper and nitrates) are the problems of inflation, industrial diversification, and favorable world prices for her mineral resources. The basic economic problem facing Chile has been a realistic development of her natural resources in world markets and at the same time relieving her over-dependence upon these resources.

Chilean Economic Development, 1929-41

The economic state of Chile has been one of the most investigated and analyzed topics in current official international publications dealing with Latin America since World War Two. International statistical gathering and specialized studies have attempted to answer the question why the Chilean economy has not revived productively since

the end of that war. The answer does not lie exclusively in the problem of a one product economy.

Much of Chile's present economic straights originated as a result of the depression of 1929. Despite the decline of Chile's nitrate sales after the First World War, her economy continued to expand and develop at an amazing rate and was recorded to be one of the best in the Western Hemisphere prior to the depression. The economic well-being of Chile during the 1920's was reflected in the liberal construction taken in the formation of the Constitution of 1925, and the election of Aurturo Alesandri as president that year. Both were the culmination of a rising liberal reformation dating from the turn of the century.

The world wide depression finally caught up with Chile in 1931. Chile had the unenviable record of the world's greatest percentage decrease in both export and import trade.¹ Such an economic upheavel and violent restriction of trade seriously affected her political stability. But the records reflect that despite these difficulties, Chile handled her economic depression in a swifter and more concerted manner than did many of her world-neighbors.

¹ P. T. Bilsworth, Chile, An Economy in Transition (New York, MacMillan Company, 1945). See the Appendix, tables 5-6, for reference to the depression.
Chile's reaction to the depression was a rapid one. Three specific factors account for her post depression recovery, and are interesting in comparison to similar measures employed in the United States.

1. Legislation encouraged renewed building activity from 1934 to 1941:

(a) Chilean Congressional law 5314, December 1933, relieved of taxes all buildings constructed before 1935, and for a ten year period.

(b) Measured in 1000 square meters of surface area covered, the annual rate of building recovered from a graph reflected low of 108.7 in 1931, to 190.1 for 1933; 371.8 for 1934; 259.0 for 1936; and to 483.9 for 1940.

2. Stimulation was given to industrial development by a quick depreciation of Chilean currency (similar to Japan), and a sharp increase of tariff barriers to protect native industry:

(a) Newly raised capital allowed native Chilean industry to expand from the annual low in 1933, of 149,2 pesos, to 397 million pesos in 1934, with each year reflecting an increase through 1942 (save for a decline in 1936 as the result of a brief recession).

(b) General industrial production rose from 98 in 1935, to 128 by 1941, based on an average of 100 for the period 1935-36.

(c) Fomento, the Corp. de Fomento de la Produccion, was organized in 1940, to permit the government to co-ordinate industrial and economic expansion and development.

(d) New credit and lower interest rates, the use of the corporate form of organization (not used extensively in Chile prior to the depression), tended to encourage industrial recovery.

3. The recovery of world markets was gradual, but important. However, this recovery in export gains was the least important in Chile's post depression recovery. In fact, Chile has still to regain the
levels of her pre-depression trade.¹

These separate factors were responsible for Chilean unemployment dropping from a high of 129,000 in November 1932, to 8,000 in 1935.

The Chilean Congress acted promptly to halt the disaster of deflation of its currency. Chile's immediate unfavorable balance of trade dropped her gold reserves from 493 million gold pesos in 1929, to 213 million in 1931; money supply fell 42 percent in 18 months. Law 4973, of July 30, 1931, created a new exchange control law tending to restrict the gold flow. Coupled with a depreciated currency and better interest rates, the fluid money supply was "borrowed" by the government itself in order to stimulate new confidence among private borrowers. Such items as public works bills (Law 5028, 5105, in 1932) paved the way. Stabilization was achieved in late 1933, when the government balanced its budget, and reduced government expenditures from their earlier stimulating peak.

The post-depression period in Chile reflects several important factors necessary in understanding the Chilean economy after World War Two. The beginnings of a new social individualism developed: a tendency for the people to rely upon the government for direction of economic activity, particularly in the investment of private Chilean wealth.

¹. Ibid., 29.
in native enterprises. The new prosperity of the period whetted the appetites of a great number of the peoples for improved standards of living. In a sense, this accounts for the very noticeable lack of private savings that has contributed to the inflationary cycles following the Second World War.

The economic recovery in Chile accounted, in part, for the lack of enthusiasm on the part of Chileans for participation in the Second World War. A neutral position would have suited Chilean opinion. But an after-the-fact analysis of Chilean cooperation in the allied war effort has established the essential role of Chile's mineral wealth toward the outcome of the war, particularly to U. S. interests. It is not surprising therefore that Chile has been a leading critic of U. S. post-war spending programs that seemed to neglect causes set forth by Latin America.

Stated in the most simple terms, the proper argument of the Chilean government has been that since it was an important member of the allied team in the Second World War, its arguments for the proper consideration for bona fide economic development loans deserved reasonable priority with the U. S. government. U. S. predisposition with any cause connected with the Cold War, and with financial aid in terms of some related military preparedness program, almost precluded any possible understanding of arguments along strictly economic lines. So, for over fifteen years,
the gulf between these two positions has widened to the point of the near collapse of the previously hard-won state of understanding encompassed in the "Good Neighbor" policy.

The Economic Capacity Picture, 1945-60

In order to substantiate the arguments that economic development funds and loans would have been used properly by Chile, if available, and would have consequently benefited the U. S. position in Latin America, it is necessary to review state of Chilean economic health since the war. We are most fortunate that there are available very adequate reviews on this subject.

Simon G. Hanson summarized the following important features in the Chilean economy and society, for the decade ending in 1950:

1. There existed in Chile a very favorable and competent managerial drive, substantial enough to predict a possible continuing industrial growth. The manufacturing industry of Chile had expanded at a rate of 4 per cent annually during the decade.

2. An ample labor supply that was both intelligent and industrious produced a benefit not similar in most other Latin American republics. Two factors depreciated this benefit: labor efficiency was low due to malnutrition and disease; only 5 per cent of the national income was being saved.

3. Chile's geographic location isolating her from most world markets placed specific limitations on industrial expansion.
4. Due to economic planning, Chile was becoming the largest producer of coal in Latin America. Development of new petroleum fields would begin to accommodate new industry.

5. With over 40 million acres of forest lands (93 percent in hardwoods), this natural value could be most beneficial to Chile's development if some method were utilized to prevent an annual loss of nearly 682 million cubic feet of timber to fires.

6. Chile has a substantial medium business climate. One-fifth of the national income is produced from the manufacturing (largely one and two-man shops) area, employing 17 per cent of the available work force.

On October 6, 1949, the Chilean government requested the Economic and Social Council of the United Nations to send a mission to Chile to study her economic problems. An economic mission of the Technical Assistance Administration of the U. N., made its study during the Chilean summer of 1949-50. Its recommendations and findings make an appropriate beginning of the period 1950-60, a period one might entitle Chile's time of troubles. Embodied within this single report can be found similar statements and restatements by other later missions, study groups, investigatory bodies, working on plans and programs for the Chilean government. The overall objectives of these groups is always the same: to correct the course of Chile's economic development by creating an atmosphere of stability permitting growth.

The U.N. economic mission's report presented the following findings:

**Part I. The "Short-Run" Problems.**

1. Inflation, the most important one, requires a forceful deterrent policy:
   
   - to stop the attitude of expectation of price increases among consumers and producers;
   
   - to establish an equilibrium between monetary demand and the available supply of commodities and services, by restraining money supply and increasing the supply of goods.

2. The state of savings in Chile reflected a lack of national thrift. To overcome this, a national "obligatory savings" program should be initiated. An interest bearing program would permit future redemption:
   
   - from labourers outside agriculture, based on retaining 5 per cent from wages;
   
   - from employees in other categories, 5 per cent;
   
   - from others: a special 5 per cent from the first 200 thousand pesos; 10 per cent on the balance over and above this amount.

3. A much too lax credit policy must be brought under control and stiffened.

**Part II. The "Long-Run" Problems.**

1. The need for administrative reforms within the government itself.

2. The requirement for a balanced national budget.

3. A clarification of the government's financial policy would set the pace of reform required of individuals.
4. Each individual state in the Republic should initiate similar budgetary reforms.

5. A thorough tax reform should be studied.¹

The report of this mission was published late in 1951. It presented the retiring Videlia government with an inappropriate campaign tool for the 1952 general elections. There is no doubt that the report's impact was lost in the confusion of Chilean politics. Perhaps the report was repudiated indirectly along with the government's candidate, as a result of surprising election of President Ibanez.

Obligatory savings and credit restrictions in a full-blown austerity program are hardly campaign slogans. But that inflation was the real enemy to Chile's desire for economic development is best described in the following account of its effects in that country:

Inflation is the villain Chileans blame for their troubles -- inflation which has struck hardest the poorest groups of the community... Since 1945 the official cost of living index has risen 2,200 per cent -- a rise Chileans claim grossly understates the actuality.

Workers' wages have lagged normally behind prices, tending to depress the workers' already low living standards... Behind the inflation is the fact that Chile has what looks to a foreignerlike an Alice in Wonderland economy. An extensive and expensive social security system imposes heavy drains on the Government's budget, which is often met by running heavy deficits, equivalent simply to printing as much money as the state needs. Over the past decade or so, money

in circulation has jumped thirty-fold but industrial production has risen only 50 per cent. Thus a monetary avalanche has swamped the only moderately increased supply of goods, producing one of history's classic inflations...

Chile's internal economy is dominated by monopolies operating on the assumption that a profit of 30 per cent or more is normal. Government regulations, with many possibilities of favoritism, strangle free enterprise.

Perhaps the most vital fact from the social and political points of view is the extreme inequality.... But statistically the lowest 40 per cent of Chilean families get only 3 per cent of the national income, less than half the share of the lowest 40 per cent of Americans.¹

This crisp and frank opinion substantially supports what was expected for Chile, if reformist action were not taken in the early 1950's along with the lines of the U.N. report.

The secretariat of the Economic Commission for Latin America of the United Nations, publishes an annual report and review of Latin American economic affairs. These reports during the period 1951-53, provide the best authoritative statistical survey on Chile's economic conditions.² A summary of these reports present a somber view of Chile's economic life during this period, and consequently should be noted.

Period 1951-1952.

1. Chile's "slow" economic growth is reported.

For the period 1945-1952, Chile's gross national product increased 2.8 per cent annually, as compared with 6.5 per cent for Latin America as a whole. A lower than average demographic growth of 1.7 per cent annually had in turn increased by 1.7 per cent the average per capita gross product; but this was still only about half that of Latin America as a whole.

2. The following reasons were given for the slow rate of growth:

(a) a low rate of investment by Chileans;
(b) failure to "regain" Chile's 1925-29 levels of advantageous trade;
(c) any advantages of beneficial trade during the period were devoted towards improving the standards of living, not to improve domestic investments. 1

Period 1953.

1. The government's forced economy in expenditures reflected the conclusion of the Korean War's copper boom. Investments were consequently down 23 per cent, reflected particularly in a tighter credit policy by the Central Bank. Import curtailment reflected the copper change. 2

Period 1954.

1. Chile's economic growth continues to slow down. Trade drops to 50 per cent of its 1925-29 level, due largely to the undermining of exportable products from declining world prices.

2. Imports, on the other hand, were allowed to increase without a proper utilization of native Chilean industrial production, consequently internal investment continued Chile on the road of the lower rate of investment in Latin America.

3. An exceedingly slow agricultural development has required Chile to import requirements of consumers, which might otherwise have saved scarce export surpluses.

4. The U. N. Commission recommended strong controls. ¹

Period 1955.

1. A 17.7 per cent increase of export values reflected an improved copper market. Previous government restrictions on imports produced a favorable balance of trade. With 66 per cent of Chile's total exports in copper, the overdependence on one source of revenue for economic stability predicted future difficulties. ²

Period 1956.

1. Improved copper prices continue to improve Chile's trade picture. But gross product decreased 2.5 per cent from the 1955 level, to a new four-year low. During the 1953-56 period, Chile had reflected a 2.7 per cent gross product increase, as opposed to 6.3 per cent for Latin American as a whole.

2. A "first" real effort to check inflation by the government was accomplished through controls on credit and wages, and an attempt to stabilize prices. Some slow down in the vicious rise of cost of living reflected these policy changes.

3. The Commission reported that economic growth was hampered largely from external prices of commodities exported by Chile to world markets.\(^1\)

An independent review of Chile's economy during 1956 illuminates the U. N. report:

In 1956 Chile took steps to halt spiraling inflation ... and introduced measures to restore financial-monetary stability. That year the cost of living rose only 38 per cent, compared with 84 per cent in 1955.

\(^1\) Economic Survey of Latin America, 1956.

The Panama Declaration was signed July 22, 1956, by U.S. and 18 republics, subscribing to the "destiny of America" and to inter-American cooperation and support of the O.A.S. (but no economic development or aid). See World Almanac, 1956.
...Enthusiasm for the anti-inflation program waned as the economic situation weakened. Industrial production ran behind the previous year, and retail sales lagged. (During the first three quarters)... the sharp drop in copper prices lowered export receipts and intensified the government budget difficulties. Prices rose 37 per cent (for consumers)... (But) the cost of living dropped sharply in fourth quarter partly because of increased exports. And the price increases (for consumers) for the year was held to only 18 per cent, the smallest increase since 1948-49.

The economic stability action taken by the Chilean government in 1956 reflects directly on the influence exerted by the firm of Klein and Saks, a private U. S. firm of economic consultants, engaged by the government of Chile. The contribution of this firm will be considered elsewhere in this report in the discussion of the technical assistance devices employed by Chile during the period, 1950-60.

Period 1957.

1. A more extensive report on Chile covers the period from 1945-1957. One important conclusion states that if the rate of growth of per capita income is to be promoted along with internal stability, at the same time producing a minimum of pressure on the balance of payments, strict production would have to be "altered".

2. Praise is given the government's inflationary controls. Benefits were produced from a 60 per cent increase in gross product over 1956.

3. The U. N. Commission reported the following obstacles to economic stability in Chile:

(a) to high propensity to consumption by the sector of population must able to save;

(b) investment is presently too specially channeled, with too low rates of capital formation;

(c) the instability, inelasticity of exports;

(d) agriculture and native industries fail to meet consumption requirements, requiring increased imports;

(e) public expenditures are "too flexible" in the face of the fluctuation in internal income;

(f) the regressiveness of the tax system in relation to income increments, along with too much dependence on duties accruing from foreign trade.

4. The following government economic policy was cited:

(a) more diversification of export trade;

(b) increased agricultural production;

(c) development of native industry to absorb population increment and the surplus working population coming from rural areas;

(d) savings of foreign exchange from controls on public expenditures, and from duties on luxury items imported.

Two U. S. reports reflect on conditions in Chile during 1957. The assistant-secretary for Inter-American Affairs explained the effect on Chile from declining copper prices to the Senate Committee on Foreign Relations, March 3, 1958. Considering the dependence of Chile on copper exports, that government had faced a declining copper market for two years. The London Metal Exchange price on copper had been roughly 56¢ per pound, until the market broke in April, 1956. Since that time, Chile's copper supply had shown almost a 50 per cent decline in prices. Such international repercussions were bound to damage Chile's stabilization efforts, although these very efforts had in one sense lessened the blow to the economy. U. S. cooperation with Chile in its stabilization efforts was reported to the Senate body.¹

The other report prepared by the Department of Commerce was intended for the education of firms and their personnel engaged, or intending to engage in business operations in Chile. The report illustrates the cost of living conditions in Chile.

1. The cost of living changes rapidly due to price changes on almost all goods and services.

   (a) Hotel accommodation costs are similar to U.S., $6-$8 per day, without meals.

(b) Suitable and difficult to locate, unfurnished houses and apartments cost $175 per month.

(c) Locally manufactured appliances are higher priced, lower quality, than U.S. goods.

(d) Utility oil is expensive, electricity is undependable (due to rationing), with bottled gas the best all-round service.

(e) Personal service (cooks, maids) is reasonable -- a cook for $25-$40 per month, maid $18-$25 but lodging, uniforms, meals and transport - ation is included.

2. Food and clothing costs reach U.S. levels.

(a) Milk supply is inadequate, of poor quality; but meat and foodstuffs are good. Canned foods are expensive.

(b) Locally manufactured clothing is more expensive, lower quality than U.S. goods. Cost of laundering a shirt, 50¢; drycleaning a suit, $1.00.

(c) Gasoline costs 22¢ per gallon.¹

Period 1958.

1958 was a presidential election year, and there seems to have been a consequent relaxation of regulations on the economy, the prediction of political pressures. A general pattern presented in past reports seem to have repeated themselves in 1958: industrial production was depressed, but yielded to an upward trend following the fall election;

agriculture produced an increase over 1957, due largely to a good season; unrestricted credit increased currency by 31 per cent producing a consequent 32 per cent increase in the cost of living index. The Chilean pesos was further depreciated, and the foreign exchange reserve dropped due to government spending to the tune of a $68 million deficit. A real serious balance of payment problem was averted only through a $40 million assistance loan.

In terms of Chilean production, copper prices increased to 27¢ per pound by the fall of the year from a January low of 25¢. Nitrate prices remained steady, but production dropped slightly. Iron, Chile's newest mineral manufacturing development, nearly doubled its output to 1.7 million metric tons. The newly elected government announced that 110 new-investment companies had been authorized by the government, representing $61.6 million in values from the United States, Panama, Canada, the United Kingdom, and the Federal Republic of Germany.

Period 1959.

The year 1959 represented the first full year of the administration of President Alessandri. Charles Griffin, reporting in the "Summary of the Americas Economy," for

the New York Times, cited in rather glowing terms Chile's new optimism in reaching economic stability under Alessandri's leadership. Under a coalition of rightist and centrist political groups in the Chilean Congress, the President was given extensive powers to bring the economy under further control. In his first years report of accomplishments, President Alessandri claimed:

1. a balanced budget, with no due obligations unpaid;
2. a stabilized currency, and no new issues;
3. an increase in the holdings of foreign exchange;
4. an increase of foreign investments in Chile;
5. initiation of a new ten year expansionist program for agriculture, mining, manufacturing, and commerce.

The Griffin report reflected Chile's determination to gain diversification of her industrial capacity in order to overcome the dependence upon copper-nitrate exports. The ten year program for expansion was placed in the hands of FOMENTO, Chile's economic development corporation. This body was charged with placing more than $350 million in loans gained in 1959, for development purposes. Foreign credits with nations like the Federal Republic of Germany indicated improved trade relations on the part of both parties. In the inter-American area, improved relations
with Argentina indicated an increased exchange of goods.¹

While the Griffin report may be prematurely optimistic in the face of Chile's decade of troubles, other indications seem to favor the possibility of improvement in Chile's economic development under President Alessandri's leadership.² In January 1959, the government established its new monetary unit, the escudo, for the purpose of equating for commercial purposes a unit closer to the value of the U. S. dollar; one escudo or 1000 pesos, equals one dollar. Working with the International Monetary Fund, the government obtained a working, stand-by fund of $8.1 million in drawing rights to prevent fluctuations in the exchange. The government renewed a separate exchange agreement with U. S. Treasury, and received an increase from $10 to $15 million in its revolving credit fund.

In a further step to improve its trade balance by product diversification, the government obtained from the Export-Import Bank new credits of $25 million for further

development of economic factors in Chile (discussed in detail in another part of this report). Another loan for Chilean expansion in the amount of $55 million was arranged by eleven U. S. banks in late July, 1959.

Under a new Chilean law, Economic Law, April, 1959, the Chilean Congress implemented a program to encourage productivity by stimulating domestic and foreign enterprise, with a minimum of government direct intervention. The Chilean stabilization program and the extensive authority granted the President under the Economic Law, permit extensive revision of the country's import regulations. The aim here is primarily to improve foreign investment potentialities, to provide a protective climate for newly created industries producing for Chilean markets. Presidential powers were extended into the tax field to allow a reform of tax laws along with much needed fiscal economy in government operations.

By late 1959, copper prices improved and contributed to an improved Chilean fiscal condition. Production of copper increased 33 per cent through July of that year. With iron ore exports up 25 per cent during the first quarter, there were definite indications that it might well replace sagging

1. "Chile" (Washington, Department of State, 1959), 10-11.
nitrate sales (down 9 per cent in the same period) as the country's second largest export. But the inflationary cycle remained Chile's chief economic problem: during the first six months of 1959, the money supply expanded at an annual rate of 36 per cent, and prices increased 48 per cent. A state of relative prosperity was reflected in retail sales at new "highs". The cost of living averaged at an increase of 33.5 per cent for the year, despite a relatively contained last six months period of adjustment of prices, with some price "decreases" reflected in the months of November-December.1

The improved foreign investment complexion was substantiated by increased competition for the available Chilean imports of essential heavy and capital goods (42 per cent of the total). The United Kingdom shipped cars and trucks, textile machinery, fibers, elastics, dyes and machine tools for this market. The Federal Republic of Germany shipped cars and trucks, industrial machinery, steel mill products, chemical dyes, plastics, tools and motors. Japan shipped electronic components, hand tools, motors, and sewing machines. The United States exports to Chile represented 51.4 per cent of the total to the Republic.

Summary

The Chilean economy represents one of the best examples of a one-product economy in Latin America. Well appraised of this fact, the government of Chile has made a concerted effort for economic diversification.

The program for improved levels of native industrial production has been two-fold: first, to create such production so as to reduce the dependence on imports of required consumer goods which misdirects exchange surpluses; second, to develop new facilities of production in other areas than copper and nitrates, successfully reflected in Chile's new iron and steel capabilities.

Perhaps the greatest single problem facing Chile has been inflation. In this area, Chile's economic history since World War Two has made her a classic example of this economic disease, a record similar to the classic extreme of the plunge of her trade markets during the depression of the 1930s. Despite a long series of well prepared and documented reports to the Chilean government explaining techniques to control inflation, the flavor of self-discipline remained tasteless until late in the 1950s. With one of Latin America's largest and most substantial middle classes, the desire for improved standards of living has drained expendable income, depressed
personal savings to astounding lows. Along with an advanced and costly social security system, the government has continued to exhaust its normal financial reserves while making investments in industrial and public works aimed at encouraging diversification. Deficit spending has in turn inflated the currency.

The high hopes of an inspired Alessandri administration in its reformist moves has indicated a shift toward decisive economic controls in hopes for stabilization. Through the advantages of increased foreign investments, new capital permits the direction of diversification without direct governmental intervention. The savings here, along with improved governmental operations, should lead to the balance of budgets, and the increase of foreign exchange balances.

The capacity for Chilean economic development from the status of a one-product economy appears to be good. Diversification is apparently possible in an economy where new production is immediately required of a substantial middle class dependent upon imports to meet their requirements. This permits a wide range of new investment capabilities from foreign sources. In the area of exportable products, diversification in iron ore and steel manufacturing, along with substantial improvement in chemical derivative manufacturing, are steps predicting more economic stability than less.
In the following chapters, two specific areas will provide evidence of the "capacity" for Chilean economic development. The first area will discuss the state of U.S. private investments in the Republic, and the conditions in which they exist. If U.S. foreign policy is to reflect an expanded phase in the under-developed areas of the world, it will be done by encouraging private U.S. investment in areas like Chile, and by U.S.-to-Chile capital investment loans sufficient to permit large scale expansion of areas in the Chilean economy required to support industrial diversification.

The second area will discuss in detail the various activities of the Chilean government to develop her capacity for economic development. If the record indicated that Chile has utilized the best possible information and techniques to develop her economy, an argument for support of her efforts seems justifiable. Considering the obvious importance of Chile's economic well-being to the U.S. and its interests, the self-development phase of U.S. foreign policy would therefore be advisable.
CHAPTER IV

United States' Private Investment in the Republic of Chile.

New capital brought into the country by foreign juridical persons or citizens of foreign countries for the purpose of initiating, enlarging or fomenting activities which tend to stimulate the industrial development or to improve the exploitation of mineral, agricultural or forest resources, and to improve or increase the means of transportation, will be governed by this Decree Law and will enjoy the privileges herein established.¹

The United States has been rebuked and castigated for neglecting Latin America. As with many complex subjects, the statement itself is as oversimplified as are the replies. In the area of foreign policy, there is a case for arguments that in its economic aspects, the U. S. has neglected Latin America. But this argument would apply in almost every area of the world save Western Europe. And even in the latter, economic development loans and financial assistance have been directly related to military preparedness. Since Latin America has tended to reject aid in terms of military values, an impasse has developed over the use of means in arriving at an agreed end.

It would be well to examine the record of U. S. economic aid to foreign areas such as Western Europe, Eastern Europe, Asia and the Pacific, the Near East, and Africa, and the American Republics. During the six fiscal years, 1953-58, such aid has averaged $1.8 billions annually. Of this total, the American Republics obtained about $180 millions annually. By definition, economic aid is divided into grants or outright gifts, and credits or loans. During this same period, of the total economic aid, an annual average of $1.4 billions was in the form of grants, with $272 millions in credits. About $173 millions were returned on principle of loans on an annual basis to offset these credits. Based on this breakdown of grants and credits, the American Republics received during this period an average $64 million annually in grants, $114 million in credits. During the year of 1956, this area repaid $43 million more than it borrowed.

With the lone exception of Eastern Europe, the American Republics have run a poor last in areas obtaining economic foreign assistance, as described above. If Western Europe's share is disallowed in the discussion, because of its military importance, we still find that the Near East and Africa enjoyed $303 million annually, or one-sixth of the total, Asia and the Pacific Area received $714 million, or 40 per cent. And, in all other areas than the Americas, the funds were almost entirely in grants. On the contrary,
the American Republics area received only half as much in the form of grants as in credits.¹

The very sad report on the use of U. S. dollar aid throughout the post-war world has yet to be written. There is no doubt a relationship between our aid-via-military arrangements and the universal dissatisfaction and criticism in almost every area where the U. S. has given away its dollars. Considering the testimonials prepared on the subject of the importance of Latin America to U. S. interests, it seems the height of folly that the direction of U. S. funds has not evaluated the Americas area in a more substantial manner. Further, in view of the consistent request for credits, not grants, the failure to utilize the cooperative determination of our Latin American friends who wish to build on loans, is a further inditement of U. S. foreign policy and its implementation through foreign aid.

Insofar as United States foreign policy is concerned, it has been left to private U. S. investments to perform the job of economic development in Latin America. In this particular area, U. S. cooperation in Latin America has been excellent. But one could hardly compare the contribution from private sources in the same category with the

¹. See Appendix, Table 7.
government-to-government assistance that is required to accomplish the climate necessary for encouraging these same private investments. A team of the two forces would be inevitable in their impression. Since 31 per cent of the total U.S. private investments are in Latin America, it is all the more astounding that there exists such a disproportionate representation between Latin America, and the other areas of the world insofar as U.S. economic aid is concerned.

Whether real, or substantively reflecting the pressure of world tension over Soviet determinism, U.S. foreign policy implementation with dollar aid has in its view of what should come first, failed in its costly military approach to consider the vastly more important concept of economic development. With so many dollars expended in military values which today become obsolete on a day to day basis, and so few dollars realistically invested in building up economically potential allies, the records begins to be formed establishing the truth of the message of Soviet determinism to destroy the U.S. by economically ruining this country.

Chile Compared with Other Latin American Investments from Abroad

The report to the Senate of the United States, previously cited, well illustrates the Latin American view on the problem of investments in that area:
Latin American governments have complained that U.S. insistence upon sound monetary and fiscal policies is not politically feasible. They are not convinced that private capital can handle the job of basic economic development and demand more public funds for this purpose. Because of fundamental differences in economic policy, they have over the past decade been unable to get the U.S. to join in an inter-American economic treaty designed to ease their credit and commodity problems. In their search for a solution to their economic problems, many of which are problems of their own making, the Latin American governments have been generally frustrated by what they feel to be the 'business and banking mentality' that dominated U.S. economic thinking and policy toward Latin America.

Chile is further illustration of this statement. The problem of investment here has not been a complaint of instability in permanent government or its society. Rather, Chile is the example of a hard-pressed economy attempting to withstand volatile international markets and create its own economic diversification. Despite Chile's inflationary tendencies, the economic capacity of the country along with the resourcefulness of the people in applying technical cooperation, establish the strong possibility that the Republic should be one of the best investment areas available to private U.S. investments.

In 1954, Professor Rippy reviewed the course of investments in Latin America, by Great Britain, as of

1928. Of £1 billion at work in the area as a whole, £76.9 million of British capital was at work in Chile, returning 4.9 per cent yield annually. Examples of this investment were Chile Telephone (£600,000), Chilea Electric Tranway and Light Co. Ltd. (£175,000), and Whitehall Electric Investment Ltd. (£10.9 million). At the peak of British investments, about 1913, only Argentina (£420 million), Brazil (£285 million), and Mexico (£199 million) surpassed Chile in British investment favor.¹

By comparison, Professor Rippy illustrates the values of U.S. interests in Latin America, in support of his argument for Latin America's place in the postwar foreign relations of the U.S.

1. By 1807, U.S. investments stood at $320 million, 60 per cent of which was in Mexico. About $2 million was invested in Chile.

2. By 1914, the total had grown to $1.6 billion. Chile's share of $180.5 million placed her third in favor of investment after Mexico and Cuba.

3. By 1930, the postwar boom had increased total investments to $5.2 billion. Chilean investments had reached $700.9 million; Cuba realized $1 billion, Argentina $807 million, and Mexico $709 million, alone surpassing her.

4. By 1943, with the depression reflected in investment values, total investments were $3.4 billion, with Chile at $388 million, Cuba's $590 million, Argentina's $497 million, Mexico's $422 million, and Venezuela's $398 million, alone surpassed Chile's favorable position.¹

By the end of 1956, U.S. direct private investments abroad totaled $22 billion, of which $7 billion was invested in Latin America (double the amount invested in Latin America in ten years). These Latin American investments in 1955, produced $2.8 billion in goods and services within Latin America, allowed $2.1 billion in exports to the U.S. alone, representing 30 per cent of our total exports from foreign countries. The surplus of exports over imports of $900 million in values produced in return a $3.7 billion gain in foreign exchanges within the area.

During this same year, 1955, U.S. investments provided $4 billion in wages, salaries, taxes, local purchases, services and equipment, for the areas, while employing 625,000 persons, of whom only 9,000 were U.S. citizens. An additional $600 million was invested for expansion and development.²

During the period since 1946, U.S. private investments have not increased in Chile in proportion to other

U. S. investments in other of the republics. These values are up 40 per cent in Chile, from $500 to $700 million, while Mexican investments are up 100 per cent from $350 to $650 million, Argentine investments up 150 per cent to $500 million. The U. S. investments in Brazil, up from $300 million in 1946, to $1.2 billion, are surpassed only by investments in Canada, the United Kingdom, and Venezuela. In the race for its share of U. S. private investment dollars, Chile has not kept pace with her Latin American neighbors. 1

Several factors may have contributed to Chile's discouraging record. Taxation on foreign private investments may have contributed to this condition. In 1955, 65 per cent of local payments made by U. S. mining companies operating in Chile were for taxes. That same year 15 per cent of local payments of U. S. manufacturing companies operating in Chile went for taxes. In this latter case, local payments for taxes in Argentina by manufacturing concerns was only 13 per cent, which may have reflected why the book value of such facilities was $230 million in Argentina, and only $37 million in Chile. Similar comparison in Brazil shows 10 per cent to local taxes, with $565 million in book values.

1. See Appendix, Table 8.
Providing new industry with a ready market is a valuable inducement for investment. Argentina’s U. S. companies produced sales of $571 million in 1955, of which $438 million was from manufacturing concerns alone. Of this total, over $505 million represented local sales. Brazil, in turn, saw U.S. companies producing sales of $687 million in 1955, with $357 million from manufacturing, with $680 million from local sales. By comparison Chile had $485 million sales from U. S. companies: $375 million of the total from mining alone, $53 million from manufacturing. Of this total, local sales accounted for only $143 million. Of the balance of sales from products produced by U. S. companies, $149 million in goods were exported to the United States, $193 million to other nations. The record illustrates neither the utilization of readily available markets, or useful diversification within the manufacturing areas of the Chilean economy.

The fight for new industry demands a strong competitive tactic. Chile showed very little inclination to encourage foreign investments in the post war period, before 1953. During the period there had arisen a tendency towards self-sufficiency unwarranted by the rapidly expanding population of that country. Goods such as cement, woolen

1. Earl P. Hanson, New Worlds Emerging (New York, Duell, Sloan, Pearce, 1949. See Appendix, Table 9.
textiles, tannery products, glassware, lumber, explosives, sugar refining, tobacco, soap, perfumes, enamelware, matches, beer, and canned goods, were produced in sufficient quantities to satisfy local requirements. Since 1953, however, Chile has embarked on a program of enlightened expansion of foreign investment potentials. Under the new Alessandri government, a further step-up in this approach has increased Chile's competitive spirit for foreign dollars. The dissemination of information about the investment potential in Chile, will, of course, help. 1

A final point on investments in Latin America is of considerable interest in evaluating the complete picture. C. K. Yearley, Jr. discussed Latin American complaints in a recent article with an appeal for some introspection by the Latin Americans themselves. Since World War Two, he estimates that nearly $2 billion has been invested by Latin Americans in various enterprises outside their own countries. 2 As was previously stated, reports on Chile's self investment potential has been particularly discouraging due to the fact that the classes with the greatest ability to save and invest have failed to do so. This re-

reflection on Chileans' ability to invest in their own future has been ascribed to their tendency to expect that their government will provide the means.

Chile's Liberalized Investment Laws.

As was previously stated, the change in Chile's attitude toward foreign investments came after 1953. The more liberalized attitude stems from the Decree-with-the-Force-of-Law 437, of February 2, 1954. This legislation is considered Chile's first post war recognition of its problem of economic development in the field of foreign investments. From its inception, the law has been the source of much controversy in Chile from individuals and groups objecting to discrimination towards native industry. As a result, a modification of this law, August 13, 1956, by Law 12,084, changed and adapted Law 437, for the purposes of accommodating native industries. This was accomplished under Article 5, subsection (d) of amended Law 437, by repealing subsection (d) by Law 12,084:

(d) The activities, in which capital was invested, will be exempt from any regime of price fixing regulation, control, or freezing, provided that, on the date to which the following paragraph refers, national activities shall not have been subject to this regime.

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1. The Chilean Foreign Investment Law was originally Law 427, Nov. 10, 1953, but was almost immediately amplified by Law 437.

Law 12,084 further clarified "national enterprises" by permitting them to enjoy the same benefits of similar foreign industries. In a recent full page advertisement on business advantages in Chile, the government summarized the benefits of Law 437, regarding foreign capital:

1. After a minimum five years occupancy in Chile, foreign capital may be re-exported in quotas of 20 per cent of the total annual investment.

2. Investments made in Chile are import duty free.

3. Interests and profits from such investments may be re-exported freely.

4. Income produced from such investments are tax free for a period of ten years.

5. Foreign investment enterprises are not restricted from expansion and development by price controls and other restrictive regulations.1

Coupled with Chile's attempt to attract foreign investment, the Department of Commerce of the U.S. has published a valuable library on potentials there in its World Trade Information Service. Examples of the publications provided are those dealing with establishing a business in Chile, patent and trademark regulations, pharmaceutical regulations, licensing and exchange controls, and the import tariff system.2


2. See the bibliography on Chapter IV, which cites the proper bulletins on these separate fields.
Each item is explained and amplified in terms of the implications of existing Chilean laws and the composite provides an excellent contribution by the U.S. government towards encouraging U.S. investments in Chile.

A further contribution to understanding the investment potential in Chile is to be found in the new book by former Ambassador Merwin Bohan, Investment in Chile. One of a series of such publications by the Department of Commerce, prepared to inform U.S. business interests in Latin American investment potential, the one on Chile discusses in fifteen chapters the specific avenues for investment in the economy, their separate economic background or history, and what the present Alessandri government is attempting to do through its new legislation. According to Ambassador Bohan, the new government has forcefully entered into activity to permit vast structural reforms in government operations and administration with expected efficiency and economy. The government has thoroughly revised its custom duties and import restraints to liberalize investment, created anti-monopoly regulations, business law and tax changes, and made available wide powers to the president for application to economic recovery.¹

The flavor and atmosphere for investment in Chile is

¹ Merwin Bohan, Investment in Chile (Washington, Dept. of Commerce, 1960.). For statistics, see in Appendix, tables 10, 11, 12, 13.
encouragingly good.

**Chile's Primary U.S. Investments**

In order to evaluate the conditions for U.S. private investments in Chile, it would be well to conclude this portion of the discussion with a brief review of the Chilean copper industry. Since the majority investment in this country is in the copper industry, the pattern for other investments will largely turn around its state of well being, development and growth.

Despite its one product classification among Chile's exports, copper has become a most fortunate blessing to an economy too long dependent upon nitrates. If we consider iron and steel production as Chile's prime example of new diversification, we can consider copper Chile's primary economic crutch. Similar to the Republic's vast natural deposits of nitrates, Chile possesses the world's largest copper resources, and second largest world-production of copper. The utilization of this natural resource is largely in the hands of the Anaconda Sales Company, and its management subsidiaries. The method and manner of handling this vast investment on the part of Anaconda, and the capitalization of the asset by the government of Chile, form the basic drive behind the economic life of the Republic.

Anaconda itself owns the Chile Exploration Company at Chuquicamata, and the Andes Copper Mining Company at Potrerillos, which together produce 83 per cent of Chile's
copper. The El Teniente mining operation of Kennecott Copper (U. S.) produces another 13 per cent. The United States is presently an importing buyer of copper, with present U. S. copper producing fields expiring at a rate soon to place Chile's producing capacity ahead of our own. Anaconda's primary source of copper for her own purposes is Chile, not domestic mines in the U. S. The importance of Chilean copper to both the U. S. and Anaconda is obvious.

Basic Law 11,828 of Chile, August 4, 1955, literally revolutionized the copper industry of the country. It is the basic handiwork of Anaconda, under the direction of Mr. Roy H. Glover, Anaconda's chief executive and negotiator-trouble shooter. The realistic give-and-take required between the Chilean government, with its natural desire for the fullest benefits from its prized resource, and the highly skilled, organized know-how of Anaconda's investment, produced a fruitful copper peace. Writing of the conclusion of negotiations between the parties, El Mercurio said:

The fruits of his (Glover's) labor are incorporated in the Copper Law on which he worked enthusiastically and with infinite patience. On many occasions the discussions were suspended and seemed on the verge of crumbling and collapsing. Then one was able to observe his faith and character. He would again consult with his company in search of counter-balances that would permit negotiations
to continue. During the entire period his sense of humor never failed him.1

To the skeptics who would deprecate the value of such contributions, it is only necessary to refer to the many references in the Senate Reports on Latin America previously cited, in which the ability to understand the Latin American businessman, and his problems, comprises the one stumbling block few Americans will make the effort to overcome.

The actual period of conversations on the subject of a copper law covered the period 1950-1955. The conclusion of negotiations resulting in Basic Law 11,828, covered four distinct parts, and eventually affected all forms of mining in Chile.

Part I: Taxation.

An "incentive" sliding scale ranging from 75 per cent income tax to a flat 50 per cent tax on the sale of copper ore was arranged to encourage production. If production doubled, the flat rate applied. A special amortization rate was allowed to any new expansion of facilities.

Part II: The Copper Department.

The establishment of a new institution called the Copper Department was arranged. Its chief minister, holding

a cabinet rank in the administration of the President, heads a committee that operates the Department: with three representatives of the President; two directors of the Central Bank of Chile; two representatives of the copper companies; two representatives of the Confederation of Copper Workers (union); and one representative of the Board of the National Mining Society.

Acting as a regulatory body, the committee controls the industry and its operations. The Department's operating income is produced from a 1 per cent tax on copper sales.

The Anaconda Sales Company became the official sales agent for Chilean copper. The "best price" theory applied and was acceptable subject to approval of the Department.

Part III: Regulation of Labor.

Since Chilean labor engaged in copper mining and production are paid on almost an equivalent basis to that in the United States, their wage and benefit basis are of economic concern to Chile as a whole. While the numbers of available workers used in mining operations is relatively small in terms of the total work force, the effects of higher wages has had a tendency to drive wages up in other and less important segments of the economy. Due to the violent changes in the value of the pesos to the U.S. dollar, and its depreciation, a sliding scale of pay was allowed the miners in an equitable manner to the satisfaction of the producers and the union.
Part IV: Distribution of Taxes.

In a highly technical phase of the law, a means of permitting the best use of taxes on the industry within the economy itself was left in the hands of the Department.¹

The effects of the Copper Law has permitted Chile to adjust its economic dependence upon one product, and to vassilating world prices. Under the "best price" theory, Anaconda was required to purchase, even its own production, at certain premium prices. By agreement, one-third of the Chilean copper production was to be set aside for U. S. customers based on U. S. domestic prices. Since the full force of Chilean production had never been placed directly on the international London Metal Exchange, the Exchange prices stood at 54¢ per pound during most of 1955, as compared with 46¢ per pound in the U. S. In the spring of 1956, Anaconda Sales Company moved Chilean copper on the London Exchange and by April, London prices adjusted to 49-3/4¢ as opposed to U. S. domestic prices at 48.73¢. While news of lowered prices was not pleasing to Chilean ears, they reflected a normal pricing base in terms of world production.²

The easy road of copper took a drastic detour as a result of the severe U. S. recession of 1958. Copper prices were almost halved within a six month period, and have barely yielded to an upward trend since then.\(^1\) This situation in metals strongly parallels the copper collapse in the second quarter of 1949, when prices declined from 23.5¢ to 16¢ per pound.\(^2\) Under its present formula however, the Copper Department has better adapted the Chilean economy to the restriction imposed upon its copper exports.

**Summary**

Chile has always had a favored place in foreign investment circles among Latin American republics. With the decline of British investments following World War One, U. S. investments made rapid advances in Chile to alltime highs. As was pointed out in another place, the depression of the 1930's caused Chile to revitalize herself internally without regard to her loss of foreign markets. The lack of vitality in gaining an incentive toward encouraging foreign investments following the Second World War further tended to deprive Chile of much needed investment capital. That the correction in this course of events would be stimulated internally by dealings with present foreign investors, such as Anaconda, seems to fit the pattern of Chilean

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economic activity during the 1950's.

The lack of diversification of foreign investments in Chile are evident. That the one product complexion has to be changed in order to stabilize Chile's economy seems to have reached the motivating levels of governmental direction, particularly under President Alessandri. Private foreign investment in Chile will turn largely upon Chile's ability to induce the interest of others, based on the record of her recent accomplishments.

It now remains to be reviewed what Chile has done for herself in arriving at further economic development. The cooperative contribution of the United States in this development is important. While such cooperation has not been the design or result of deliberations from foreign policy decisions, that it did exist is something to the credit of our government. The record thus produced should provide our government a plausible example of the valuable assets created by economic activities with a friendly government, whose interests are so important to our own security and survival.

The recommendation made below to the U. S. Senate express the best available reasoning for modifications of existing U.S. policy toward business investment in, and with Latin American countries. They represent a good summary of the problems, of probable solutions:
1. A more liberal U.S. import policy on primary products in Latin America which are competitive with our domestic products would tend to accelerate the long run rate of growth of U.S. extractive investments in Latin America.


3. Since the U.S., by its ad hoc increase in lending to Latin America over the past three years has indicated an awareness of this problem (the need for foreign capital), it would facilitate clarity of thought both in this country and in Latin America if the U.S. adjusted its policy to give greater de jure recognition to the need for intergovernmental lending to Latin America which U.S. policy recognizes de facto.

4. U.S. businesses should be encouraged to expand their training facilities for Latin American personnel.

5. U.S. firms should pursue industrial relations designed with disarming suspicions that have arisen from distrust in the past.

6. The selection of U.S. personnel for service in Latin America should be handled on the basis of qualification for such services, and with a mind to the personal problems involved where sent.

This report might well become a welcome handbook for present and future investors in Latin America, with a mind to not only improving the investment potential in this area, but in properly identifying American investors with bona fide aims of the Latin Americans.

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CHAPTER V

Economic Development Techniques Employed
BY Chile and Related U.S. Cooperation

To increase the national product, through a program of economic development, thereby affording a higher standard of living to the people of Chile. This implies a fuller and more intensified utilization of the nation's resources.¹

The capacity for Chilean economic development has been documented. The relative advantages favoring the increase of U.S. private investments have been illustrated. There remains the record of Chilean efforts at economic development, beyond those already touched upon, which would reflect the techniques employed by the Republic in its own efforts to attain the national goal cited above.

There is a distinction that should be made in the course of economic development. The Republic of Chile would consider the capital funds required for the creation of satisfactory economic conditions a distinct problem from that of encouraging foreign and native investments in areas requiring economic development of resources. For instance, the Republic would consider the need for capital funds to improve and develop water resources, related electrical power and its transmission, the expansion of transportation facilities, as beyond the capabilities of modern private investors. Government-to-government loans

¹ "Basic Objectives of the Chilean Government." Chile. (Washington Department of State, 1959) 13.
and use of internationally available credits would be the only way open to such tremendous undertakings. On the other hand, once provided, Chile would be capable of providing the services necessary to induce foreign, and native capital, to expand and develop industrial potential, manufacturing capabilities, and agricultural productivity.

The U.S. to date has not advanced any significant funds to Latin America in the capital investment area. This funding job has been left to various international banking agencies established for this purpose. The previous reluctance of the U.S. to endorse the Inter-American Bank, incidentally, is something of an indication of the failure of U.S. foreign policy thinking to realize the essential importance and need of capital funds for exclusive western hemispheric purposes.

Bearing in mind this distinction in the area of required funds, it is possible to turn to the approaches made to the problem of economic development by Chile and the results of the techniques employed. It is difficult for Americans to understand the vast task required to "catch-up" an economy of an under-developed country. An over-night industrial revolution is required. Since Chile's economy is one of the most advanced of the countries in the category of under-developed, when viewing her efforts and requirements light begins to dawn on the tremendous undertaking ascribed to such foreign assistance.
Foreword on Technical Assistance to Under-Developed Areas of the World

Technical assistance as a device for government-to-government cooperation is perhaps the child of the United States. While it is a tremendously all encompassing term, essentially technical assistance refers to that special cooperation in the forms of grants of money, information, personnel and other related devices, providing the special "know-how" for the accomplishment of specific economic and social aims within a country. While the U.S. has been the parent of this type of assistance and its aims, the U.N. has provided parallel programs of technical assistance of its own, for its own purposes.

The United States' Point Four program begun in the late 1940's, and related indirectly to the Marshall Plan, is typical of our technical assistance programs. Technical assistance missions have, during the course of the post war period, worked in every area of the world, and directed the implementation of their findings and programs through unrelated governmental and non-governmental sponsored financial institutions. Most of these missions worked in the so-called under developed areas of the world. The object of their efforts was directed towards the eventual economic development of these areas. Considering their importance, the technical assistance programs never appear to have been directly related to or controlled by
foreign policy making in the Department of State. Rather they appear to have been by-products of a general aim to provide the technical assistance required to produce strong allies for our military preparedness build-up.

In 1960, the Committee for International Economic Growth distributed a book prepared by Mr. Paul G. Hoffman entitled One Hundred Countries, One and One Quarter Billion People. Mr. Hoffman prepares a case for U.S. participation in the economic development of the 100 under developed countries of the world during the 1960s. Calling for the organization of an International Development Association within the framework of the International Bank for Reconstruction and Development, the object would be the utilization of a vast program of economic aid and technical assistance to confront the staggering problems facing the under developed areas of the world. The National Advisory Council of the United States endorsed proposed membership and support by the U.S., and President Eisenhower forwarded this recommendation along with his approval to the Congress, February 18, 1960. In effect, the new emphasis given economic development reflects action on the recommendations from many quarters for a stepped up program by the United States. Basically, our modest technical assistance allow-

ances (in 1954, it represented a part of $875 million of a $3.5 billion foreign aid budget), would now be embraced in the larger framework of the International Bank. It is the object of the International Development Association, insofar as the U.S. is concerned, to bring together the diversified and separate programs and funds created in the area of development, under a more unified command and control.

In a talk before the conference of the General Syndicate of Jute Industry, at Paris, in November 1954, Tibor Mende illustrated the case for accepting the real challenge to the West — the economic development of the so-called 100 countries, and advance of the standard of living in these areas. The West had reached its present levels of production and living standards from three factors that produced our industrial revolution: (1) the puritanic enthusiasm to save; (2) the existence of an entrepreneurial class; (3) the availability of an adaptable, mobile labor force desireous of an incentive. In facing this challenge, the West must accept the grim reality that in the under-developed areas of the world little more than 5 per cent of national income is saved, or can be saved. In most areas, the state alone represents the only entrepreneurial

element available. To further complicate matters, the labor force in most areas is totally ineffective.¹

With the Japanese, Russians, and Chinese the only ones seriously encouraging their own industrial revolutions, it rests upon the West alone to foment the cause along Western principles. To meet the challenge of the so-called state-inspired economic development programs of Russia and China, the West has turned to economic development assistance and private foreign investment. To reach the modest levels of a simple 2.5 per cent annual increase in the standard of living in these areas, a sum equal to nearly $16 billion would be required annually of the West as a whole.

In answer to the critics' moans over the over-burdened, aid-conscious West, and the disquieting fact of U.S. deficit spending and loss of gold reserves due to post war foreign aid and assistance, Mr. Hoffman offered the potentially ripe new markets of the under developed areas, if they are given the incentive and means to reach new, improved levels of living.² With no dispute of the importance of the cause, or the possible advantage of the new markets, it remains to be seen if the West, by way of the International Bank, can afford the frightful cost of the new program

for international technical assistance.

**The Example of Chilean Self-Development**

As previously cited, FOMENTO, Corporation de Fomento de la Produccion, was established in 1939, by the Chilean Congress to handle its economic development. Created out of the crisis arising from disastrous earthquakes of January, 1939, FOMENTO was given the job of rebuilding the cities of Concepcion and Chillan, and their immediate vicinities.

Development programs were not new to Chile. The Central Bank of Chile had directed similar projects and programs from the time of its revised, liberal Constitution of 1925. Specifically, the Industrial Credit Fund, the Mining Credit Fund, the Agricultural Credit Fund, the Agricultural Settlement Fund, and the Peoples' Housing Fund, were all programs related to economic development prior to FOMENTO. While FOMENTO represented direct intervention of the government into the affairs of the economy, the expressed objectives was to develop private enterprise, by aid to private capital ventures. The Government, under this plan, was to be first a shareholder in the venture, then, retiring and liquidating its investment when stability and production allowed the government
was to return to a non-participating status.¹ By 1951, FOMENTO had under this plan of action rebuilt Conception and Chillan, created a new iron and steel industry at Conception and Huachipate, oil drilling at Tierra del Fuego, mining development of manganese and coal, the development of new industries of fabricating, textiles, with related programs for agriculture, forestry, the wine industry and hydro-electric expansion.²

The results of FOMENTO'S efforts to 1951, were not unimpressive. The iron and steel industry at Huachipate, had reached a level of 200,000 metric tons production annually. The manganese industry, so essential to the U.S. during the Second World War, shipped over 120,000 tons to the U.S. alone in 1951. Existing hydro-electric facilities stimulated by FOMENTO, generated 153,000 kw in 1951; and new stations under construction at the time at Los Cipreses and Calafquen were expected to provide an additional 234,000 kw annually. The wind industry, which had developed fame in Latin America for its quality, had developed a a new export market, with 75 per cent of its production in 1951 going to France and Belgium. In conjunction with a

U.S. Agriculture mission, FOMENTO laid the plans for a new lumber industry capable of producing an estimated 75 million board feet by 1962. The textile industry, enjoying new equipment from credits arranged by FOMENTO in the U.S. in 1949, had increased the production of cotton textiles over 50 per cent of the 1937 levels by 1951. Santiago with 144 mills, Valparaiso with 18 mills, and Concepcion with 9 mills, became new centers for this industry. In the field of public housing, FOMENTO directed the Peoples Housing Fund to build 2000 additional dwellings in 1948, and 4650 in 1949.1

Technical Assistance Devices Employed by Chile Since 1950

The 1949-50 Economic Mission of the United Nations, which had been requested by the Chilean government to study its economy, had recommended strong controls to curb the Republics' disastrous inflation. Little or no attention was given to recommended devices in this field prior to 1956, when the problem had developed to even greater proportions. The Mission's other recommendations for administrative reforms, balanced budget, controlled fiscal policy, and tax reforms remained unchallenged until the advent of the Alessandri administration in 1959. Despite the inaction of the Ibanez administration to

1. Ibid., "Fomento." Chile Today.
implement the Mission's fiscal recommendations, its activities in the field of economic development through technical assistance programs were important enough to contribute to the pattern of self-help begun by previous administrations.

**Chilean Agricultural Development**

The commonly accepted opinion of the Chilean economy is that it is primarily a mining country. The fact is that the largest percentage of her economically active population is engaged in agricultural pursuits. Despite Chile's rapidly expanding industrialization and a record of declining importance placed in agriculture by Chilean workers, an estimated 30 per cent of the work force is still engaged in farming or agricultural pursuits of one form or another. Not only because of the dependence of a large sector of the population for livelihood in this area, but because of the rapidly increasing demands for food products from agriculture, the Chilean government made a request, in March, 1951, for an independent mission to study and analyze the agricultural problems of the country. This request to the International Bank for Reconstruction and Development and the Food and Agriculture Organization of the United Nations, was honored with the arrival of a highly qualified team of experts, whose report is one of the best records available of proposals arising from a
technical assistance group.

During the depression of the 1930s, vast numbers of Chilean agricultural workers moved in search of better paying city jobs. The resultant slip in agricultural production continued on an annual basis until 1940, when Chile lost her self-sufficiency levels of production. In terms of Chilean imports, the 1935-39 average of agriculture imports represented 12.3 per cent of total imports. These increased to 29.3 per cent of total imports by 1953-56. This rise in demand for agricultural imports to satisfy consumer needs in the country drained off the much needed exchange surpluses gained during beneficial trade years. Because of the economic potential of Chilean agriculture, the rapid rise of import demands in this area and the declining productivity amounted to a national disgrace.

The Bank-FAO Mission provided the Chilean government with a blueprint to activate this sector of the economy:

1. To provide general measures capable of increasing gross agricultural production 33.5 per cent above the 1945-49 levels.

2. To develop a consistent long-run policy which would instill confidence in the farmers.

3. To initiate temporary per capita consumption, to afford lead time for the program to take effect.

4. To permit a general rise in farm products.

5. To revise the rate of exchange policy and import controls along with the new agricultural policy.\(^2\)

The Mission established 1960, as the goal for accomplishing its initial objectives for catching up production.

Under a projection for the period 1952-1960, the Mission expected the Chilean population to increase 23 per cent to an estimated 6.93 million people. Per capita consumption was expected to increase 36 per cent during this period.

In order to meet this demand, agricultural production had to increase on an annual rate of 3.12 per cent to 1960, to catch up the tardy production. After 1960, a 2.5 per cent annual increase would permit Chile to keep pace with her demand for food.

In order to accomplish this formidable task, Chile was required to reclaim some 600,000 hectares of land (about 1.5 million acres) which remained fallow, or required drainage or irrigation. The Mission outlined a thorough program for improving production through new machinery and fertilizers, and animal husbandry programs. Related fields called for increased fish production to offset meat demand; an enlarged forest exploitation program sufficient to conserve this neglected national resource and develop a new wood processing industry.

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Responsibility for directing this program was placed in the hands of a new Agricultural Development Committee, directly responsible to a modernized Ministry of Agriculture. A Land Improvement Institute was to be established to direct on-the-spot educational programs, along with the authority to encourage the development of medium sized family farms by the use of newly provided credits. The government was assigned the task of providing special assistance for required irrigation projects; to develop a much needed highway system and railroad program to permit improved transportation of goods from farm to market; and to expand the processing of foods and marketing facilities industries in order to make full use of the delivered production.

As of 1959, little had been accomplished by the Chilean government to realize the goals established by the Bank-FAO Mission. Inflation, financial difficulties, lack of program coordination, the system of land tenure, and the reluctance of land owners to accept change have been given as reasons for the inaction. Ambassador Behan cited Chile with "a greater monopoly of agricultural land (than) in any other country of the world." Of the total available land devoted to agriculture, he reports that

1. Dohan, Investment in Chile. See Chapter V.
only 3 per cent of the farms represent 55.3 per cent of
the land farmed, while 4.7 per cent of the farms represent
80 per cent of the land, and 9.6 per cent of the farms
represent 91.2 per cent of the land. The problem between
these vested interests and the government's national needs
must be resolved.

The area of Chilean arable land per capita places Chile
in a most favorable position among the family of nations.¹ 42 per cent of Chile's land area consists of agricultural
land: of the 30.8 million hectares involved, 36 percent
is cultivable; 64 percent is pasture. Forest or wooded
lands comprise about 28 per cent of total land area.²

The Alessandri government has prepared the following
items in its program for agriculture. They properly con-
sider the recommendations of the Bank-FAO Mission.

1. Development of irrigation works and the
utilization of ground waters.

2. A new grant of $2 million credit for the
introduction of imported breeding cows
to improve cattle population; a similar
grant is considered for dairy cattle.

3. To improve yield, a new system of bonus
on fertilizers used during a given year.

4. Additional foreign credits obtained would
be devoted to the import of agricultural
machinery.

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1. See Appendix, Table 14.
2. "Relations between the United States and Chile,
1952-59." Jorge Burr, Minister Counselor (Washington,
Embassy of Chile, 1960.)
5. Government financing of new processing facilities to accommodate the livestock and dairy industries.

6. The addition of a third beet sugar plant to permit additional production to satisfy 30 per cent of the present domestic consumption.¹

To accomplish these goals, the government budgeted 14 million escudos for 1959, and 15.1 million escudos for 1960 (as compared with 5.9 million escudos in 1958).

U.S. technical assistance to Chile in the agricultural sector has represented one of the largest parts of the budget allowed the Republic. Under the direction of the International Cooperation Administration, the agricultural sector has been labeled "Plan Chillan" and received about 30 per cent of the I.C.A.'s funds employed in Chile: I.C.A.'s budget being $808,000 for 1957, $973,000 for 1958, and $885,000 for 1959. The I.C.A. directs the National Agricultural Training Center, which carries on projects for weed and pest control, introduction of improved plant and livestock species, development of farm-to-market roads, forestry conservation, soil and water control, irrigation, introduction of better farming tools, techniques of artificial insemination, improved farm management, and supervised credit.²

¹ "Relations etc." Jorge Burr.
Transportation facilities are considered directly related to agricultural development. The I.C.A. devoted 10 per cent of its 1959 budget for Chile (about $254,000) to this need of the economy. In turn the Chilean government doubled its 1958 budget in the transportation field, with 69.7 million escudos (1959) and 71.3 million escudos (1960) directed toward improvement and development. A renewal program has been planned for the Chilean railway system over a five year period, at an estimated cost of 234 million escudos, to permit the updating of 1,000 kilometers of track, introduction of a new signalling-communications system, and the addition of 5,000 freight cars, 700 coaches, baggage, and track motorcars, and 80 locomotives. Under present plans, the Chilean railway system will be prepared to accept her developing industrial production and agricultural goods for prompt and efficient distribution. Technical assistance training programs are aiming at rail efficiency by reducing the cost of operations by 15 per cent, increasing the return per man hour of work by 70 per cent, increasing cartage capacity 42 per cent, without increasing either charges or rates.¹

¹ "Relations etc." Jorge Burr. See Appendix, Table 15.
Chilean Development of Natural Resources

Before dealing with technical assistance devices and economic development aid used by the Chilean government for industrial development and diversification, it would be well to examine the utilization of the national resources required to support such industries. During the period 1939-50, FOMENTO had made noticeable steps in its approach to the problem of the utilization of land resources.

Through its efforts, the International Bank furnished a twenty year $13.5 million loan, in 1948, to Endesa (Empresa Nacional de Electricidad, S.A.), electrical subsidiary of FOMENTO, for the development of electrical power and water facilities. Since this enterprise was to produce side effects for agriculture, the Bank further provided $2.5 million for six and a half years to purchase farm equipment.¹

A 1951 loan from the Bank to FOMENTO, for $1.3 million, was directed to the exploration and use of underground water resources in the Rio Elqui Valley, near Santiago. Because of the uncertainty of water supply for the irrigation canals serving this area, only 20 per cent of the 50,600 acres available was available for cultivation even in good years. Land development in this area as a result of this loan would permit the full use of present land,

and the irrigation of an additional 21,000 adjacent acres.

Another power facility loan from the International Bank in 1956, was directed to the construction of a new 68,000 kw capacity hydro-electric plant at La Isla, on the Cipreses River; addition of two generating units with 49,000 kw capacity at Abanico power station; and the construction of a new 48,900 kw capacity plant on the Huanehue River. This $15 million loan will provide 166,000 kw capacity as a part of a FOMENTO-ENDESA program to provide Chilean industry with 400,000 kw additional power. Steel mill expansion, metallurgical development plants, pulp and paper mills, and expanding textile industry require tremendous electrical potential. One of the most recent International Bank loans to Chile was announced December 30, 1959, for FOMENTO-ENDESA. This $32.5 million power loan will finance a 280,000kw capacity plant with reservoir dam to serve the Santiago-Valparaiso area; and for the construction of a new thermal plant at the port of Huasco, in northern Chile, for current requirements at Chile's new iron ore mines.¹

Financial assistance extended Chile through the Export-Import Bank, 1946-59, has totaled $197.5 million. The Bank has acted as agent for the I.C.A. in acquiring

an additional $42.5 millions. Most of these loans have been used to purchase capital goods required in projects designed for economic development in Chile, details of which will follow.

Chilean Industrial Development

Considering the extensive programs carried forward by the Chilean government during the 1950s in the area of natural resources, it is apparent that decisive steps have been taken to provide a substantial base for the development of diversified industrial interests in Chile.

Perhaps the best example of new industry is that of Chile's important steel industry. Since 1946, the Pacific Steel Company (CAP) has annually increased ore and steel production to a point of impressive importance among Latin American industries. During this period, $30.5 million in loans through the Export-Import Bank have permitted the purchase of mill equipment, building of a new ferromanganese plant, a hot strip mill, strip rolling, and open hearth facilities. Operational standards of Pacific Steel have a capacity of 430,000 metric tons of steel bars annually. In 1959, Pacific Steel together with the Koppers Company

of Chile, applied to the Export-Import Bank for a new $68.3 million loan for expansion and replacements during the period 1959-64, with plans to reach a capacity of 650,000 metric tons annually. A new mine operation for iron ore at El Algarrobo, has recently been purchased as part of this expansion program.

Other important development programs are directing the expansion of the textile industries, chemical facilities, particularly those related to the nitrate industry, development of a new wood-paper industry, expansion of the Chilean wine industry. Most will be carried forward by native and foreign capital. By 1960, the copper industry will have completed its $154 million investment program begun in 1954. An Export-Import Bank loan has been placed with the nitrate industries to permit a $32 million development program. Foreign credits totalling $30 million is expanding the facilities of the Chilean Telephone Company. The Chilean government expects an additional $200 million in new exports from these expansion programs within the next five years (1965).¹

Non-Governmental Technical Assistance in Chile.

A seldom recognized area of important technical assistance cooperation comes from non-government sponsored organizations. It is important to include here those U.S.

organizations active in Chile during this period, and their contributions.

James G. Maddox has reviewed technical assistance cooperation through religious agencies in his presentation for the National Planning Association. Latin America was the object of this study because technical cooperation programs had been under way in this Hemisphere longer than elsewhere (in 1955). In crediting Chile as one of the most successful centers for technical assistance in Latin America, the author cites these results:

1. An agricultural extension program and demonstration farm near Tenuco, under Methodist direction.

2. A Clinic, social center, and farm with a boarding school (El Vergel), near Angel, operated by Methodist.

3. Mother & Child Maternity hospital in a workers' section of Santiago, run under the direction of Methodist.

4. Sweet Memorial Institute in Santiago, providing a social service center and training school for Christian leaders under Methodist direction.

5. A primary-secondary school with boarding facilities (boys and girls) at Tomuce with Baptist direction.

6. A primary and secondary boarding school for girls in Santiago, sponsored by Methodist as a separate institution.  

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The El Vergel farm is one of the most successful agricultural training centers in Chile, and a source of valuable experimentation in its field. The attached school has graduated 225 students since 1921.

In a related presentation sponsored by the National Planning Association, Arthur T. Mosher deals with technical assistance in the field of Latin American agriculture. While not specifically related to non-governmental groups, his review is a contribution to the discussion at point. The object of the Mosher work was to determine what projects would be considered successful, and which would not. In terms of resourcefulness and adaptivity, Chile was acknowledged as the recognized leader among Latin American countries in utilizing the assistance programs provided, both in Chile, and other of the republics inviting Chilean participation. Among the successful programs enumerated in Chile were the St. Vincente' agricultural training center (developed under O.A.S. direction); the use of an F.A.O. training program, 1951-54, in which Chile made an outstanding record; programs using an area approach at Concepcion in both agricultural and health fields.¹

The Maddox report did not touch upon devices used by Caritas International, outlet for international Catholic

Relief Services, in Chile, simply because the statistical information required was not available in 1955. However, during the 1957-58 period, Caritas provided Chile with 86 million pounds of food, clothing, and medical supplies. As a result of this contribution, Caritas Chile was organized to permit the distribution of these materials in needed areas. 2,500 social welfare depots were established as distribution points to accommodate this work. The permanency of Caritas Chile in learning how to perform efficiency needed social services is the specific hope of Caritas International.

Klein-Saks Economic Mission of 1955-57

Before concluding this section on technical assistance devices employed by the Chilean government, it is important to consider one last important activity of tremendous consequence to the Republic. Without the efficient administration of governmental affairs from which the entire economy receives its direction, it would be improbable that any positive accomplishments would be realized in any sector of that economy. As has been indicated, little was done by the Ibanez administration to implement the Economic Mission (U.N.) report of 1951 in its recommendations for

1. "Your Charity, Their Hope!" (New York, Catholic Relief Services, 1958).
national savings, credit controls, or administrative reforms. In an effort to obtain on-the-spot assistance in matters affecting the direction of the government and its operations, the Chilean government retained the firm of Klein and Saks, Washington management consultants, to work in Chile on these matters.

The Klein-Saks Economic and Financial Mission began its work in Chile, in November 1955, and prepared two annual messages to the Chilean Congress (November 1956 and November 1957) pertaining to recommendation for improved government management. This Mission's final report has been called the "Chilean Stabilization Program," a masterpiece of observation, reporting, and suggestions, and a primary record among important technical assistance reports. The Mission requested major policy changes in six vital areas of the government and economy:

1. Government budget and finance: primarily to bring an end to government inspired deficit spending, as the primary contributor to inflation.

2. Public administration: initiate a program to curb government employment, and to coordinate the overgrown government organization, with the desire to raise the degree of flexibility of the administration of government by improved efficiency, with consequent savings.

3. Wage policy and social security: Since the present system of automatic, obligatory wage adjustments has only contributed to inflation, and benefited only the top levels of employment, it should be reformed in such a manner to permit a free wage policy that is required of a "free" economy.
4. Credit: The government has employed credits in the past for import and inventory speculation, the worst policy that could have been followed. Strong curbs on the Central Bank's credit powers was recommended.

5. Prices and subsidies: The present system of price supports and subsidation having only lead to hoarding and abuses, the Mission recommended the establishment of a free price system on the widest base and range of commodities. Inflationary control can be attained through credit controls.

6. Foreign exchange: In order to completely reform the exchange system, a single flexible rate of exchange for all merchandise transactions would be desirable, with a single list of approved imports available to all foreign competition, without the use of any quota system.

The Mission listed the following obstacles in Chile's economic future, some of which seem a refrain on earlier reports:

1. Chile is too far removed from most world markets.

2. Her geography makes communications difficult both within the nation, and without.

3. A small internal market is unable to provide the country with the full benefit of modern mass production.

4. Chile is creating some of her own serious obstacles:

   (a) a large group of citizens identify their interests with a particular economic group, and are indifferent to the problems of the nation as a whole;

(b) for two decades or more, too much reliance on the government to accomplish economic and social ends has created a bad social trend.

In the section reviewing the 1959 accomplishments of the Alessandri government, and its 1960 prospects and budgets, many of the items in the Klein and Saks Mission are found amplified and activated. The tendency to implement this important report by the present government is a good sign for Chile, for the future of its economic development.

The exact manner in which the Chilean government expects to accomplish economic stability has been outlined in the following four-point plan, much of which embraces the concepts and recommendations of the Klein-Saks Mission:

1. **Stabilization of the cost of living:**

   In an effort to stabilize the index of consumer prices, it is hoped that price increases will not be justified by the producer, importer, or merchant (operating within a free economy system). The government will do its part by,

   (a) retaining taxes at present levels;
   (b) making no changes in social security contributions;
   (c) maintainence of custom duties and taxes at present levels;
   (d) and wage adjustments will be permitted in proportion allowable without price rises.

   In view of the new stable currency program, a consumer protection program is now in progress in Chile.
2. **Wage adjustment policy:**

The government has a stated policy on wages, adjustments only within existing price levels. As a supplement, relief from new taxes and a more equitable distribution of the tax burden will be affected in a new Tax Code. While working toward a balanced budget, the government will retain an aggressive development program through short and long term credits, and avoid further debt or printing of additional currency. These forces should stabilize wages.

3. **Controls on other inflationary factors:**

The placing of limits on the Central Bank of Chile will curb the issuance of new notes or coins, and a requirement for meeting the national budget in real terms, not by debt. The purpose here is to maintain the stability of the new escudo as the essential part of the control of inflationary factors.

4. **Incentives for increased production, efficiency:**

Since economic stability is the most effective tool for creating conditions that will allow the economy to develop with the speed required by the increase in the population and aspirations for a higher standard of living,' the government expects to encourage the development of production through reduced costs in this sector and creation of new employment by:

(a) reducing prior deposits and import charges, thereby lowering costs of raw materials and equipment required by industry and agriculture;

(b) the use of external credits for capital imports;

(c) making special grants for improved breeding stocks and seeds for agriculture;

(d) a bonus on fertilizer used to increase agricultural productivity;

(e) a new credit system to benefit producers, and use of a medium credit system through commercial banks in the country.
5. Other internal reforms:

The reorganization of public administration is being carried forward with higher efficiency in each area. Each state enterprise is now dependent on its own resources to finance its programs.

An Interministerial Committee has been formed to permit the coordination of public investment.

With price controls dropped, private investment encouraged and monopolies combated, the government hopes to gain the confidence of the people of Chile in gaining economic stability.1

While two brief years efforts of the Alessandri administration can not be expected to produce immediate results, the government reported as of September, 1959, that exchange reserves had risen from $10 million at the beginning of the year to $93 million. While much of this reserve represents the 1959 gains in foreign credits, their utilization by the Alessandri administration reflects a more rigorous, planned control of these valuable assets than at any time since the Second World War.

U.S. Opinion on the Use of Technical Assistance Programs by Chile.

The record of Congressional opinion on the use of technical assistance devices and financial cooperation in the Western Hemisphere is extensive. Largely it represents an expression of satisfaction with the results,

1. "Relations Between the United States and Chile." Jorge Burr, 17-20.
confidence in the gains made in the many areas involved. Most of the Congressional investigatory committees and missions involved in the examination of the facts viewed the needs of the area as requiring a new consistent and long range technical assistance program from the U.S.

The 1953 Capehart Mission had as its objective the examination of the effects of Export-Import Bank and International Bank loans toward furthering the economic development of Latin America. In complimenting the accomplishments in the areas, this Mission called for a stepped-up program of better coordinated cooperative projects that would be of direct benefit to U.S.-Latin American relations and trade. The Missions report called particular attention to the request of the Chilean government for liberalization of the two banks' lending policy requiring government guarantee for each "private" investment loan requested. It was the contention of the Chileans that this policy forces upon a government participation on lower levels of economic development properly left to private enterprise.¹

Technical assistance was reviewed by a House committee in 1956, in hopes of a closer coordination of existing

and projected programs. Since technical assistance programs generally are the forerunners of requests for economic development loans, this committee felt that more efficiency in the direction and management of the technical assistance programs was to be desired. There has been a general tendency in U.S. programs to use the crash-approach in dealing with foreign economic problems. The committee found duplicating, over-lapping, budget-jealous activities proceeding on similar projects within the same country.

In praising the convincing job of U.S. technical assistance in developing a low-cost housing program and preventive medicine plan in Chile, the committee reported a Chilean government request for unification of that country's programs under one single responsible representative of the U.S. government, rather than the existing separate and independent direction of field personnel.\(^1\)

In early 1957, former ambassador David K. E. Bruce submitted a further report on technical assistance and foreign aid programs to the Senate. On stressing the importance of encouraging private investment in Latin America through special tax legislation from the Congress, Mr. Bruce emphasized the contribution exchange programs of personnel and utilization of surplus U.S. goods would

be as part of our program. The Bruce report, unfortunately, recommended an expansion of our military assistance pro-
gram in Latin America, a suggestion representative of an official attitude in the Executive branch of our government soon to be rejected and reputed as valueless in our program of economic development for Latin America.¹

The inaction of the U.S. to clarify an official, long term and long range economic development program for Latin America is much overdue. And it is most interesting to hear from an individual working in an independent, non-government sponsored technical assistance group in Chile, that one of the really tragic consequences of U.S. programs is the failure to project any real image of ourselves or related principles of a philosophy of American life:

Americans are often accused of being materialistic. We are surprised and hurt and point to our generosity in helping other nations. Those who receive, however, are convinced that we believe we can buy their allegiance with our gifts. Charity, therefore, is not enough. Our foreign policy should include the preaching of the ethical creed upon which our prosperity rests.²

Summary of Economic Development Techniques between Chile and the United States.

The evidence is clear of Chile's efforts to utilize

2. Letter of Mr. George M. Korb, head of Association for International Development (AID) mission, Santiago, dated February 27, 1960.
the best available technical assistance devices for guidance in directing her economic development. The Republic's reputation in Latin America for resourcefulness in approaching her economic problems has contributed to the growth of her role of leadership among the republics. Much of the failure on the part of the Chilean government to implement the advice and recommendations obtained from these fine programs can be laid to the impasse that existed in Chile between 1952-58, among the political leaders and a rejection of social responsibility among the classes most capable of leading the country. This is not a peculiar indictment of Chile. It is largely the same plight in most of Latin America, and the entire under-developed area of the world. The trouble with finger-pointing is that it never takes into account the contribution made by the responsible leaders of these societies. The initial beginning of the Alessandri administration is encouraging. It is impossible to predict the effect of such leadership during a short period of time. But evidence presented here will permit us to expect that an improvement is in the making. An alert foreign policy would permit informed leadership in the United States to seize upon the opportunity offered in Chile since 1959, to effectively contribute to the success of such undertakings. The results could only benefit our interests, and the cause of the United States in Latin America.
The action of our government to lend support to the long overdue Inter-American Development Bank, and to project in 1960, a substantial U.S. Latin American development program (estimated at $500 million), is still insufficient evidence of either the formation of a long range policy or basic change of attitude in our leadership toward Latin America. In the face of the reports and studies on this subject, it appears that either the message they carry, or the serious importance the problems hold for U.S. interests in the areas have been missed. We cannot hold to prejudice about the failures of others to take action after advice, when we suffer from the same tribulations ourselves.

The complex techniques employed for economic development are astounding to behold. As devices for implementing our foreign policy, it is obvious that proper administration of such techniques is the only key to successful results for our purposes. As almost every report has stipulated, effective administration depends upon the very real base of a person-to-person relationship, and something more than the cold logic of diplomatic parlance. Our administrative efficiency must be coupled with a personal salesmanship reflective of the interests of those with whom we are dealing. Of all the peoples of the underdeveloped areas of the world, this last statement is the only means by which we can be successful in our program.
for Latin America, and most certainly Chile.
CHAPTER VI

Chilean Economic Development and Her People

It would not be proper to conclude the discussion on the economic development of Chile without a proper place given to the effect it is expected to have on the people of that country. The cause of the people is inseparable from those ends desired for economic development in Chile. Consequently the accomplishments and the basis of the most serious obstacles to success in the development of Chile are to be found in the people themselves.

The possibility of removing man from his society is unthinkable. But the depersonalization of man in modern society is most certainly a factor that must be considered. Perhaps the outstanding feature of Latin America is its personalism, a virtue we in the United States might do well to recognize, and come to understand. It is around such a factor that the driving force of Chilean economic development turns. In the so-called battle for mens' minds, or whatever might be used to describe the ideological arguments set forth between the camps of the East and the West, the proper direction of efforts which reflect an understanding of the person of the Chileans and not just cold, bloodless causes of material welfare will come closer to a mutual understanding than any other technique.

The Chilean Constitution of 1925 is devoted to the
personal guarantees and statements of rights of the citizen. But nothing expresses better the concept the Chilean people have of themselves than the proper consideration given to the "right" to work of every man: that is to say, the right to employment, along with the protection of labor, and the duty of the nation to protect its national health.¹ There is a vast difference between socialism that denies the human right to possess property and social consciousness that conceives a national responsibility of the people to care for one another. The free society that exists in Chile seriously embraces the latter. For the United States to confuse such liberal responsibility as a weakening deterrent to a free economic society would be the height of folly. An awakening social responsibility in Latin America is the only hope a free society has in bridging the gap of the classes of this Hemisphere.

U.S.-Chilean Joint Social Welfare Projects

The public sector in its many important ramifications as are the problems of housing, health, and education, will affect national growth. Any contribution of projects permitting the advancement of the socially unprepared and insecure must be considered as positive values to

the economy.

A typical example of such a project is one of the U.S.'s oldest in Chile. In May 1943, the Republic created a Health Servicio in conjunction with a U.S. Technical Cooperation program in the field of public health. During the period 1953-60, the I.C.A. has obligated $2 million in its budget for Chile, to provide health education, training in preventive medicine and nursing, industrial hygiene, and rural health demonstration projects. In related areas, the I.C.A. has devoted 25 per cent of its $17 million budget during this period in three areas: $858,900 for housing development; $1.3 million for industrial training programs; and the $2 million for health. Before 1957, the I.C.A. programs in housing were aimed at self-help projects, permitting the new owners to assist in some way the construction of the new homes. Since that date, the I.C.A. has broadened the base of its program to permit the meeting of greater needs and permit the development of a national housing program. Through the establishment of minimum standards of design, construction, and liveability, and a formula for financing, lower cost housing will be made available for more of the people. Overcoming the rapidly growing slums of Chile's many populous cities is a major social problem of the government.

The Alessandri government has prepared a new low rent
housing decree to permit the development of entirely new
towns for low income groups. As a result of special
tax legislation relief to builders, 10 per cent of the
cost of construction and 20 per cent of the cost at sales
levels have been reduced. To promote rural housing,
a special 5 per cent tax has been leveled on agricultural
profits and its commercial counterpart in order to create
a fund for such construction. The pace of new housing
is approaching the post-depression years in productivity.
During the past ten years, CORVI, the housing corporation
under FOMENTO, averaged four thousand low cost houses
annually. During 1959 alone, the corporation has under-
construction nearly 32,000 low cost units to fulfill the
government's new housing effort.1

Chilean Labor

Of all the areas ripe for successful penetration and
gains by the Communists, the area of Latin American labor
ranks in the forefront. Political action through the
union movement presents to the Communists their best
opportunity for creating a record for their cause. While
results have not been primarily the ends of Communists in
the union field, they are able to create the best impressions

1. "Relations Between the United States and Chile."
   Jorge Burr. Also, "I.C.A. Program, Chile."
here. In the Senate report on business and labor, previously cited (1960), particular emphasis was placed on a proper consideration of the very vast network of unions existing in Latin America, the importance of their relationships with U.S. investment interests, and the potential good American unions could do by initiating exchange groups with the important confederation there. In a recent article for Foreign Affairs, George C. Lodge stated that "the most important influence on the people (of Latin America) is the organization of workers."¹

The Chilean labor movement dates from the mid-nineteenth century mutual aid societies created among workers. The position of labor reflected in the 1925 Constitution was well advanced over its American counterpart during that period. Since unemployment has never been a serious problem in Chile, it has only been with the rise of inflationary pressures within the economy that labor's voice has become more and more vocal.

Chilean trade unions are basically affiliated to a central union body called CUTCH, Central Unica de los Trabajadores de Chile. Representing 90 per cent of the unionists, about 21 per cent of all the non-agricultural

workers, CUTFCH, while a formidable organization, is
basically a loose alliance of conflicting groups.
It is known to be influenced by Communists, and by its
constitution opposed to capitalism and imperialism, but
its eventual direction is no more settled than its lack of
seriousness about its objectives. If economic opportunities
present themselves and the well-being of the workers allowed,
it is not expected that the Communists will complete any
successful domination of CUTFCH. A healthy and vital labor
philosophy in the U.S. could, if available, contribute
greatly to the guidance of Chilean labor.1

Chilean Middle Sector

It is not properly understood in the United States that
a rapidly developing middle sector, or middle class,
is coming into political power in many of the important
areas of Latin America. It is true that great wealth and
great poverty divide much of Latin America. But in
republics similar to Chile, where over 30 per cent of the
population is rightly identified as a middle sector, this
important urban, waged or salaried group is beginning to
impress itself upon the available political leadership.2

1. "Labor in Chile." Foreign Labor Information. (Washington,
   U.S. Department of Labor, July 1953.).
2. John J. Johnson, Political Change in Latin America.
   (Stanford, Stanford University Press, 1956).
The political identification of Chile's middle sector is still undetermined. Since the Republic suffers from the splintering of a multi-party system of politics, the middle sector has found no cause identified with a particular party. This fact, and the sense of the Chileans as a whole to support vital leadership, has given strength to an administration like that of President Alessandri's. On the other hand, this prevailing weakness of political purpose and a sense of divisiveness makes the influence of the middle sector less than what it should be within the Republic, and of course affords the Communists still additional opportunity to divide and conquer.¹

The middle sector, along with labor which count strongly in its ranks, make for the greatest force for improved standards of living in Chile. Consequently, the ability to impose a discipline required for internal stability and economic growth is all the more difficult. The tendency of this sector to avoid the necessities of thrift that is required for internal investment is a problem requiring real political ingenuity.

Communist Cause in Chile

Robert J. Alexander's recent book covers the status

of Chilean communism very thoroughly. Representing one of the oldest parties in Latin America (one of the two with original affiliation with the Communist International), it represents the old story of a small, well disciplined group capable of exerting pressure beyond their representation. The party has suffered an outlawed status from time to time. Because of the peculiar tendency of Latin American leaders to use such restrictions on their non-communist political opponents, such devices have normally been removed as not in keeping with the democratic process. Since the Chilean communists have not been able to align with the unorganized parties of the left, its political power has always been limited. As Mr. Alexander points out, the obvious answer to effective communist penetration "is a social reform program beginning with an agrarian reform that would establish a firm economic basis for the political and social democracy" desired for Chile.¹

Summary

The peoples of a free society are the best prepared to determine their future. It is easy to lose sight of the necessity of social responsibility in an age of machines.

The awesome task of economic development is such that the modern man naturally turns to the mechanics of statistics to meet the challenge of these insurmountable problems. Where United States' policy is concerned with the economic development of any area, it must revolve around the firm base of the people's heritage as the common ground required for eventual success.

The differences between the Chileans and the citizens of this country are frankly not much greater than that which exist between the Latin Americans themselves. The Chileans, for example, are 95 per cent European stock. Their cultural ties have been almost exclusively European. The traditional pattern of orderly liberal government is a contrast to the violent picture generally predicted of Latin America. The resourcefulness and energetic determination of the Chileans is reflected in the acceptance of the challenge their over-dependent mineral wealthy nation has to face.

The peoples of Chile present a really marvelous society with whom the United States may expect only the best of friendly relations in commercial and military undertakings. Our ability to utilize the best available personnel in conjunction with well-planned programs for economic development can lead to expected and realizable results for Chile and the United States.
CHAPTER VII

Conclusion

The primary purpose of this thesis has been to evaluate the use of economic development programs and devices as a means of effectively expressing and implementing United States' foreign policy. Evidence has been presented to affirm the value of such programs. This evidence has been based on the relationships between the governments of the United States and the Republic of Chile. The reasons for the selection of Chile, and the period under consideration, 1952-60, have been explained in detail.

One of the principal conclusions produced from this evidence has been the difference of opinion on the matter of the value and priority of such programs. The viewpoint of the United States was described as one evaluating economic development programs in terms of their significance in preparing a country to participate in mutual security pacts. As a consequence, such programs received priority in terms of their contribution to an over all military preparedness plan.

On the other hand, the Chilean viewpoint, which was described as representative for Latin America as a whole, is the opposite of this United States' position. The Chileans consider economic development as a primary end in itself. It is an end essentially tied to any expected
future of an underdeveloped nation. Further, the Chileans consider that any program or policies are unwise that divert attention and emphasis away from long range economic goals. For in such cases, valuable assets are deprived from ends required to raise the economic levels demanded by the people.

The point of departure between the United States and Chile over the priority and value of economic development programs and devices stems from the significance given military preparedness. On this issue, the United States' position is well known. No summary seems required here. But in the case of Chile, who has been described as the leader among Latin American republics on this vital subject, it is most essential to consider the reasons for resisting United States' policies on the matter of mutual security.

Two different reasons may be concluded as forming Chilean opinion on the matter of mutual security. The pragmatic reason is based purely on the costliness of present day military preparedness programs. It is pointed out that technological development can depreciate military standards overnight. The small underdeveloped nation is ill prepared to contribute scarce funds to such futile purposes. The new neutralism rising so swiftly in the Americas carries this argument one step further when it considers the present arms race the exclusive battle of world giants.
Perhaps the more basic reason behind Chilean rejection of military preparedness programs is the traditional Latin American resistance to militarism. Here is found the old and deep seated fear of the misuse of power by military establishments. Despite the cooperative appearances of mutual security pacts, military build-up of the individual republics could mean the strengthening of the status-quo group in power, or on the other hand, strengthening a group which might upset values too long in the winning. In any event, the United States' position on military preparedness among the republics has not considered the conflict it would engender among our many friends.

Some reconciliation of these divergent viewpoints has been finally attempted by the United States. As a result of various important Congressional reports, U.S. foreign policy towards Latin America has finally begun to deemphasize various military aspects in favor of a new emphasis given to economic development. This new position sees an economically secure Western Hemisphere as an answer to possible communist penetration. In turn, the military aspects of security are to be handled by the concert of nations within the Organization of American States. Whether this change is merely surface, or reflective of a serious determination to reflect upon Latin American needs, remains to be seen.
This thesis questioned the basic value of economic development programs. In order to form a conclusive position on the matter, we examined in some detail several aspects of different types of programs employed by the Republic of Chile. It was indicated that Chile was a splendid example for a case study on economic development techniques and programs. In fact, Chile has one of the best performance records and accumulated the longest period of years devoted to such techniques of all the republics.

The area of cooperation by the United States with Chilean economic development was sighted both in scope and degree of financial assistance. Records prepared by the Chilean government and by various Congressional committees indicate an impressive result by both parties in this cooperation. The effects upon the Chilean economy may not be fully indicated for some years. But the utilization of the results of past programs, and the integration of these results in current projects employed by the present Alessandri government are impressive.

There may be no justification in stating a conclusion that if the United States had employed more economic development programs in dealing with Latin America since 1945, that our cause, our interests, and our position in this area would be more secure today. But in view of the apparent failure of our mutual security approach in the Western Hemisphere, and in the face of appeals from our friends for
more serious consideration of economic development assistance, the road of economic improvement would more certainly have led to a more realistic alliance. The majority view of Congressional authorities now accept this position.

Based on observations of the relationships between the United States and Chile, during the period since World War II, the following conclusions may be drawn as the results of economic development programs entertained and employed between the two countries:

1. Economic development programs requiring the acquisition of investment capital to provide fundamental goods and services necessary for the preparation of an industrial economy should expect assistance of international lending institutions, like the Inter-American Bank, and others, on a long term basis. Such loans would be for roads, dams, waterways, electrical power, and the like, the cost of which would be realistically beyond the ability of private or single government capabilities.

2. A justifiable prerequisite for qualification for economic development assistance from any resource should be based on a nation's fundamental economic potentiality, and its record of past performance in developing and studying this potential.

3. If a nation has been able to produce a reputation establishing its ability to attract single government
and private investment resources for its economic development and expansion, such a record would be good evidence of that nation's reliability and determination to improve itself.

4. Substantial experience with preliminary technical assistance programs in preparing for economic development assistance would seem to be one of the required steps toward economic security.

5. For permanency and stability of both the technical assistance projects and the economic development programs, it is essential that such projects and programs be placed finally in the hands of a substantially trained and efficient body of persons in the country expecting such assistance.

6. In keeping with the concepts of developing responsible action by the government and peoples in a free society, the element of independent action must be allowed and encouraged to nations desiring economic development and producing a record, similar to the prerequisites stated.

These conclusions, while appearing to be common sense, have not been the basis of any guide for United States action in dealing with the underdeveloped countries of Latin America. In fact, our economic development assistance (in terms of our mutual security expenditures) has often
been applied in contradiction to many of these conclusions.

The United States has entered the 1960s a few steps ahead of a critical wave of objections to foreign aid expenditures. The argument on the futility of spending, in the face of the loss of friends and the decline of our prestige and leadership, will become more and more forceful. It is obvious too that the attempt to form alliances based on military power with the underdeveloped countries of the world has proved unsuccessful. In most cases, military investments of the United States have merely preserved the status quo. This group in turn has resisted the social and economic changes demanded for peaceful democratic development. But, on the other hand, where the United States has used governmental aid for the purposes of economic development programs and devices, nations like Chile have reflected advancement in handling their serious internal problems, and come closer to understanding United States views in other fields.

It can be wondered what would be the state of Latin American affairs if the United States had continued the degree of contact and exchange enjoyed by our country during the Second World War. If the office of the Coordinator of Inter-American affairs had been continued, and a separate, independent department for Latin American relations had been encouraged, perhaps the information we gained in 1959-60 from Congressional reports, might have been known and made
available much sooner. Today the United States faces the neutralism of Asia and Africa, already developing in countries like Brazil. It is questionable whether, once started in this hemisphere, the United States can overcome such a philosophy of government, without an organized and informed approach similar to devices used during the period of the last war. The best evidence on this point is the case established in our use of economic development programs.
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## APPENDIX

### Table 1:

Chile's Exports and Imports, 1948-57
(Millions of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948</td>
<td>328.8</td>
<td>269.1</td>
<td>59.7</td>
</tr>
<tr>
<td>1949</td>
<td>296.1</td>
<td>303.3</td>
<td>-7.7</td>
</tr>
<tr>
<td>1950</td>
<td>283.2</td>
<td>247.3</td>
<td>42.8</td>
</tr>
<tr>
<td>1951</td>
<td>371.3</td>
<td>328.5</td>
<td>42.8</td>
</tr>
<tr>
<td>1952</td>
<td>454.7</td>
<td>369.8</td>
<td>84.9</td>
</tr>
<tr>
<td>1953</td>
<td>409.6</td>
<td>334.7</td>
<td>74.9</td>
</tr>
<tr>
<td>1954</td>
<td>403.2</td>
<td>343.1</td>
<td>60.1</td>
</tr>
<tr>
<td>1955</td>
<td>474.7</td>
<td>376.3</td>
<td>98.4</td>
</tr>
<tr>
<td>1956</td>
<td>544.2</td>
<td>353.4</td>
<td>190.8</td>
</tr>
<tr>
<td>1957</td>
<td>458.2</td>
<td>441.4</td>
<td>16.8</td>
</tr>
</tbody>
</table>


### Table 2:

Chile's Exports of Principal Products in 1957 were, in thousands of dollars:

<table>
<thead>
<tr>
<th>Minerals</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>453,200</td>
<td>391,413</td>
</tr>
<tr>
<td><strong>Minerals</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manganese with other minerals</td>
<td>1,834</td>
<td></td>
</tr>
<tr>
<td>Molybdenum</td>
<td>3,792</td>
<td></td>
</tr>
<tr>
<td>Copper bars</td>
<td>296,301</td>
<td></td>
</tr>
<tr>
<td>Iron ore</td>
<td>21,082</td>
<td></td>
</tr>
<tr>
<td>Sodium nitrate</td>
<td>41,331</td>
<td></td>
</tr>
<tr>
<td>Potassium nitrate</td>
<td>2,353</td>
<td></td>
</tr>
<tr>
<td>Iodine</td>
<td>2,824</td>
<td></td>
</tr>
<tr>
<td>Copper ores, concentrates, precipitates, and cement</td>
<td>4,403</td>
<td></td>
</tr>
<tr>
<td>Steel ingots</td>
<td>1,335</td>
<td></td>
</tr>
<tr>
<td>Silicon-manganese</td>
<td>287</td>
<td></td>
</tr>
<tr>
<td>Ferro-manganese</td>
<td>1,379</td>
<td></td>
</tr>
<tr>
<td>Gold-copper ores and concentrates</td>
<td>1,752</td>
<td></td>
</tr>
<tr>
<td>Gold-silver-copper ores and concentrates</td>
<td>4,197</td>
<td></td>
</tr>
<tr>
<td>Silver-gold concentrates</td>
<td>4,314</td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>1958</td>
<td>1959</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Lead concentrate</td>
<td>751</td>
<td>130</td>
</tr>
<tr>
<td>Zinc concentrate</td>
<td>1,051</td>
<td>1,197</td>
</tr>
<tr>
<td>Coal and carbon black</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude petroleum</td>
<td>16,210</td>
<td>297</td>
</tr>
<tr>
<td>Animal products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Untanned hides</td>
<td>795</td>
<td></td>
</tr>
<tr>
<td>Fish and seafoods</td>
<td>12,402</td>
<td>797</td>
</tr>
<tr>
<td>Washed and unwashed sheep wool</td>
<td>1,819</td>
<td></td>
</tr>
<tr>
<td>Untanned leather</td>
<td>897</td>
<td></td>
</tr>
<tr>
<td>Beeswax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vegetables and fruits</td>
<td>17,920</td>
<td>5,238</td>
</tr>
<tr>
<td>Lumber</td>
<td>395</td>
<td></td>
</tr>
<tr>
<td>Quillary bark</td>
<td>3,444</td>
<td>109</td>
</tr>
<tr>
<td>Beans</td>
<td></td>
<td>2,412</td>
</tr>
<tr>
<td>Garbanzos</td>
<td></td>
<td>951</td>
</tr>
<tr>
<td>Lentils</td>
<td></td>
<td>459</td>
</tr>
<tr>
<td>Onions</td>
<td></td>
<td>2,635</td>
</tr>
<tr>
<td>Nuts</td>
<td></td>
<td>661</td>
</tr>
<tr>
<td>Fresh fruit</td>
<td></td>
<td>974</td>
</tr>
<tr>
<td>Dried fruit</td>
<td></td>
<td>177</td>
</tr>
<tr>
<td>Garlic</td>
<td></td>
<td>447</td>
</tr>
<tr>
<td>Industrial fibers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Husked barley</td>
<td>26,336</td>
<td>553</td>
</tr>
<tr>
<td>Industrial products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fishmeal</td>
<td>968</td>
<td></td>
</tr>
<tr>
<td>Fresh lamb meat</td>
<td>380</td>
<td></td>
</tr>
<tr>
<td>Conserved fish</td>
<td></td>
<td>1,744</td>
</tr>
<tr>
<td>Malted barley</td>
<td></td>
<td>480</td>
</tr>
<tr>
<td>Wines</td>
<td></td>
<td>1,289</td>
</tr>
<tr>
<td>Threads or yarns of linen</td>
<td></td>
<td>212</td>
</tr>
<tr>
<td>Explosives</td>
<td></td>
<td>322</td>
</tr>
<tr>
<td>Industrial oils and greases</td>
<td></td>
<td>17,391</td>
</tr>
<tr>
<td>Metallurgical products</td>
<td></td>
<td>234</td>
</tr>
<tr>
<td>Fabricated copper</td>
<td></td>
<td>436</td>
</tr>
<tr>
<td>Galvanized iron wire</td>
<td></td>
<td>892</td>
</tr>
<tr>
<td>Uncoated copperwire</td>
<td></td>
<td>935</td>
</tr>
<tr>
<td>Copper pipes and tubes</td>
<td></td>
<td>6,321</td>
</tr>
</tbody>
</table>

Other

Source: Ministerio de Relaciones Exterior, Santiago, Chile.

Table 3:

Chile's imports of principal products in 1957, was, in thousands of dollars:

<table>
<thead>
<tr>
<th>Product</th>
<th>Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>441,377</td>
</tr>
<tr>
<td>Raw Materials</td>
<td>132,930</td>
</tr>
<tr>
<td>Tin ingots</td>
<td>1,220</td>
</tr>
<tr>
<td>Gum, rubber, and latex</td>
<td>2,531</td>
</tr>
<tr>
<td>Washed and unwashed wool tops</td>
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<td>Untanned cattle hides</td>
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<td>Hops</td>
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<td>Cotton, wool, and silk fabrics</td>
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<td>Hemp and jute sacks</td>
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<td>Phosphate fertilizers</td>
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<td>Quebracho extract and other dyes</td>
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<td>Tallow and impure animal fats</td>
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<td>Wire cables and chains</td>
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<td>Rectified petroleum for illuminating</td>
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<td>Consumer goods</td>
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<tr>
<td>Cattle meat</td>
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XIX
Edible oil
Automobiles and station wagons
Tires and tubes for automobiles
Parts and accessories for automobiles

Capital equipment
Machinery, equipment, and tools for mining
Machinery, equipment, and tools for agriculture
Machinery, equipment, and tools for industry
Machinery, motors, boilers and parts
Electrical machinery, apparatus, & material
Tractors

Transport
Machinery and material for railroads
Trucks and chassis
Buses
Pick-up trucks and others

Other

Source: Ministerio de Relaciones Exterior, Santiago.

Table 4:
Chilean Exports and Imports by Countries, 1956-57
(Thousands of dollars)

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<tr>
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<tr>
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<td>39,626</td>
<td>35,707</td>
<td>5,224</td>
<td>5,965</td>
</tr>
<tr>
<td>Italy</td>
<td>20,710</td>
<td>21,850</td>
<td>5,687</td>
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<td>Norway</td>
<td>42</td>
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<td>315</td>
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<td>17,420</td>
<td>24,883</td>
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<tr>
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<td>6,659</td>
<td>9,188</td>
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<tr>
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<td>1,449</td>
<td>2,078</td>
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<td>4,635</td>
</tr>
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<td>357</td>
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<td>1,877</td>
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<td>1,498</td>
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<td>1,367</td>
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<td>576</td>
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<td>Mexico</td>
<td>933</td>
<td>346</td>
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<td>1,498</td>
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<td>26,402</td>
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<td>Peru</td>
<td>383</td>
<td>4,186</td>
<td>58</td>
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<td>33</td>
<td>243</td>
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<td>164</td>
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<td>1,279</td>
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<td>1,549</td>
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<tr>
<td></td>
<td>544,220</td>
<td>353,628</td>
<td>441,377</td>
<td></td>
</tr>
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Source: Banco Central de Chile, Boletín, No. 364, June, 1958, Santiago.

Table 5:
Economic Production in Chile, 1928-1931.

<table>
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<tr>
<th>Index</th>
<th>1928</th>
<th>1929</th>
<th>1930</th>
<th>1931</th>
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<tbody>
<tr>
<td>Industrial</td>
<td>98*</td>
<td>115</td>
<td>117.5</td>
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<tr>
<td>Production</td>
<td></td>
<td></td>
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</table>

*In millions of pesos, based on 1927-29 average of 100.

For reference, see Ellsworth, Chile, Chapter 1.

Information obtained from "Basic Data on the Economy of Chile" (Washington, Dept. of Commerce, Feb. 1959) Part 1, No. 59-1.


XXI
<table>
<thead>
<tr>
<th>Country</th>
<th>1928</th>
<th>1929</th>
<th>1930</th>
<th>1931</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
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<td>315</td>
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<td>Portugal</td>
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<td>Argentina</td>
<td>30,456</td>
<td>18,585</td>
<td>24,508</td>
<td>16,203</td>
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<td>Bolivia</td>
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<td>5,008</td>
<td>5,461</td>
<td>11,347</td>
<td>11,603</td>
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<td>1,233</td>
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<tr>
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<td>Mexico</td>
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<td>Panama</td>
<td>383</td>
<td>460</td>
<td>1,239</td>
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<td>Peru</td>
<td>2,746</td>
<td>4,186</td>
<td>22,015</td>
<td>26,402</td>
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<td>Uruguay</td>
<td>1,071</td>
<td>2,235</td>
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<td>243</td>
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<tr>
<td>Venezuela</td>
<td>617</td>
<td>1,540</td>
<td>86</td>
<td>164</td>
</tr>
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<td>Other</td>
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<tr>
<td>Total</td>
<td>544,220</td>
<td>458,200</td>
<td>353,628</td>
<td>441,377</td>
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Source: Banco Central de Chile, Boletin, No. 364, June, 1958, Santiago.

Table 5:

Economic Production in Chile, 1928-1931.

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<tr>
<th>Index</th>
<th>1928</th>
<th>1929</th>
<th>1930</th>
<th>1931</th>
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<tr>
<td>Industrial Production</td>
<td>98*</td>
<td>115</td>
<td>117.5</td>
<td>93</td>
</tr>
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*In millions of pesos, based on 1927-29 average of 100.

For reference, see Ellsworth, Chile, Chapter 1.

Table 6:

Change in Export and Import Totals 1929-32.

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<th>1932</th>
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<td>Imports</td>
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</table>

*In millions of pesos. 1930 reflected an unfavorable balance of trade.\(^1\)

Table 7:

United States Economic Aid to Foreign Areas, 1953-1958:
(In Millions of Dollars)

Grants are outright gifts. (-) Indicates excess of Collection on Principal.

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<th></th>
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<td>2. Eastern Europe</td>
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<td>268</td>
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1. For reference see Ellsworth, Chile, Chapter 1.
### Credits

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<tr>
<td>Grants</td>
<td>21</td>
<td>30</td>
<td>49</td>
<td>73</td>
<td>95</td>
<td>117</td>
</tr>
<tr>
<td>Credits</td>
<td>176</td>
<td>216</td>
<td>52</td>
<td>-43</td>
<td>31</td>
<td>214</td>
</tr>
</tbody>
</table>


#### Table 8:

**Book Value of U.S. Investment in Chile with Comparisons: 1929-1956. In Millions of Dollars.**

<table>
<thead>
<tr>
<th>Country</th>
<th>Index</th>
<th>1929</th>
<th>1940</th>
<th>1946</th>
<th>1950</th>
<th>1955</th>
<th>1956</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chile</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>423</td>
<td>414</td>
<td>485</td>
<td>540</td>
<td>639</td>
<td>677</td>
<td></td>
</tr>
<tr>
<td>Mining</td>
<td>332</td>
<td>277</td>
<td>313</td>
<td>351</td>
<td>406</td>
<td>434</td>
<td></td>
</tr>
<tr>
<td>Mfg</td>
<td>7</td>
<td>7</td>
<td>25</td>
<td>29</td>
<td>37</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td><strong>Argentina</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>332</td>
<td>388</td>
<td>202</td>
<td>356</td>
<td>447</td>
<td>470</td>
<td></td>
</tr>
<tr>
<td>Mfg</td>
<td>82</td>
<td>79</td>
<td>78</td>
<td>161</td>
<td>230</td>
<td>242</td>
<td></td>
</tr>
<tr>
<td><strong>Brazil</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>194</td>
<td>204</td>
<td>323</td>
<td>644</td>
<td>1115</td>
<td>1209</td>
<td></td>
</tr>
<tr>
<td>Mfg</td>
<td>46</td>
<td>70</td>
<td>126</td>
<td>284</td>
<td>565</td>
<td>610</td>
<td></td>
</tr>
<tr>
<td>Petrol</td>
<td>23</td>
<td>31</td>
<td>45</td>
<td>112</td>
<td>194</td>
<td>213</td>
<td></td>
</tr>
<tr>
<td><strong>Mexico</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>683</td>
<td>358</td>
<td>316</td>
<td>415</td>
<td>607</td>
<td>675</td>
<td></td>
</tr>
<tr>
<td>Mining</td>
<td>230</td>
<td>161</td>
<td>111</td>
<td>121</td>
<td>154</td>
<td>165</td>
<td></td>
</tr>
<tr>
<td>Mfg</td>
<td>6</td>
<td>10</td>
<td>66</td>
<td>133</td>
<td>274</td>
<td>309</td>
<td></td>
</tr>
<tr>
<td>Petrol</td>
<td>206</td>
<td>42</td>
<td>7</td>
<td>13</td>
<td>15</td>
<td>18</td>
<td></td>
</tr>
</tbody>
</table>

#### Table 9:

**U.S. Companies Sales in Chile with Comparisons: 1955. In Millions of Dollars.**

<table>
<thead>
<tr>
<th>Country</th>
<th>Total</th>
<th>Mfg</th>
<th>Mining</th>
<th>Petrol</th>
<th>Utility</th>
<th>Other</th>
<th>Local Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chile</strong></td>
<td>485</td>
<td>53</td>
<td>375</td>
<td>27</td>
<td>30</td>
<td>--</td>
<td>143</td>
</tr>
<tr>
<td>Argentina</td>
<td>571</td>
<td>438</td>
<td>---</td>
<td>98</td>
<td>12</td>
<td>23</td>
<td>505</td>
</tr>
<tr>
<td><strong>Brazil</strong></td>
<td>687</td>
<td>357</td>
<td>---</td>
<td>299</td>
<td>27</td>
<td>3</td>
<td>680</td>
</tr>
<tr>
<td>Mexico</td>
<td>565</td>
<td>316</td>
<td>212</td>
<td>11</td>
<td>20</td>
<td>5*</td>
<td>392</td>
</tr>
</tbody>
</table>

* $5 million in agricultural sales

1. "U.S. Investments in Latin American Economy" (Washington, Department Commerce, 1957.)
Table 9: Continued.

<table>
<thead>
<tr>
<th>Country</th>
<th>Export to U. S.</th>
<th>Export to Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>149</td>
<td>193</td>
</tr>
<tr>
<td>Argentina</td>
<td>23</td>
<td>43</td>
</tr>
<tr>
<td>Brazil</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Mexico</td>
<td>138</td>
<td>35</td>
</tr>
</tbody>
</table>

Table 10:

Gross National Production of Chile, 1940-1957.
*In Thousand pesos

<table>
<thead>
<tr>
<th>Date Year</th>
<th>Total</th>
<th>Per Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940</td>
<td>106,318*</td>
<td>21,916</td>
</tr>
<tr>
<td>1950</td>
<td>157,305</td>
<td>25,964</td>
</tr>
<tr>
<td>1953</td>
<td>188,298</td>
<td>29,175</td>
</tr>
<tr>
<td>1957</td>
<td>181,250</td>
<td>25,474</td>
</tr>
</tbody>
</table>

Merwin Bohan, Investment in Chile. Table 1, 11.

Table 11:

Quantum index of production of goods, Chile.
1950 = 100

<table>
<thead>
<tr>
<th>Year</th>
<th>Agric.</th>
<th>Fisheries</th>
<th>Mining</th>
<th>Indust.</th>
<th>Const.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>96.8</td>
<td>107.3</td>
<td>106.4</td>
<td>117.6</td>
<td>94.9</td>
<td>106.3</td>
</tr>
<tr>
<td>1953</td>
<td>95.7</td>
<td>123.1</td>
<td>95.5</td>
<td>140.1</td>
<td>125.4</td>
<td>116.0</td>
</tr>
<tr>
<td>1955</td>
<td>101.6</td>
<td>247.1</td>
<td>109.8</td>
<td>143.1</td>
<td>145.4</td>
<td>124.6</td>
</tr>
<tr>
<td>1957</td>
<td>97.6</td>
<td>245.7</td>
<td>116.0</td>
<td>152.2</td>
<td>63.9</td>
<td>125.9</td>
</tr>
</tbody>
</table>

Merwin Bohan, Investment in Chile. Table 3, 16.

Table 12:

Foreign Investment in Chile, 1953.
In Thousands of Dollars.

1. "U.S. Investments in Latin American Economy"
<table>
<thead>
<tr>
<th>Index</th>
<th>U.S.</th>
<th>Britain</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>22.5</td>
<td>183.3</td>
<td>1,450</td>
</tr>
<tr>
<td>Mining</td>
<td>504,120.0</td>
<td>17,743.0</td>
<td>523,735</td>
</tr>
<tr>
<td>Industry</td>
<td>17,789.0</td>
<td>7,403.0</td>
<td>33,616</td>
</tr>
<tr>
<td>Finance</td>
<td>1,021.0</td>
<td>3,017.0</td>
<td>5,267</td>
</tr>
<tr>
<td>Services</td>
<td>41,231.0</td>
<td>29,718.0</td>
<td>72,325</td>
</tr>
<tr>
<td>Commerce</td>
<td>24,442.0</td>
<td>9,909.0</td>
<td>36,076</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>588,627.5</strong>*</td>
<td><strong>67,975.3</strong></td>
<td><strong>677,971</strong></td>
</tr>
</tbody>
</table>

*U.S. represents 86.6% of Total.

Merwin Bohan, *Investment in Chile*. Chapter 2, "Foreign Investment."

Table 13:

Statistics on Economically Active Population, 1952, Chile: In thousands of persons.

<table>
<thead>
<tr>
<th>Index</th>
<th>Total</th>
<th>Employers</th>
<th>Salaried</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Males</td>
<td>Females</td>
<td>Males</td>
</tr>
<tr>
<td>Total</td>
<td>1,616</td>
<td>539</td>
<td>365</td>
</tr>
<tr>
<td>Mining</td>
<td>99</td>
<td>3,8</td>
<td>0.1</td>
</tr>
<tr>
<td>Mfg.</td>
<td>276.0</td>
<td>131.9</td>
<td>60</td>
</tr>
<tr>
<td>Constr.</td>
<td>101</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>Electr.</td>
<td>19</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Commerce</td>
<td>166.9</td>
<td>56</td>
<td>33</td>
</tr>
<tr>
<td>Transp.</td>
<td>89</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Services</td>
<td>192</td>
<td>286</td>
<td>22</td>
</tr>
<tr>
<td>Other</td>
<td>64</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>Agricul.</td>
<td>606</td>
<td>42</td>
<td>157</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Family Worker</th>
<th>Males</th>
<th>Females</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>59</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>29</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>0.4</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>0.5</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>0.1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>0.6</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>0.9</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>5</td>
</tr>
</tbody>
</table>


XXV
Table 14:

Characteristics of Agriculture in Chile, with comparisons to other regions, 1945.

<table>
<thead>
<tr>
<th>Index</th>
<th>Chile</th>
<th>California</th>
<th>Sweden</th>
<th>Switzerland</th>
<th>New Zealand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area (Million hectares)</td>
<td>74.2</td>
<td>41.0</td>
<td>44.9</td>
<td>4.1</td>
<td>26.8</td>
</tr>
<tr>
<td>Arable</td>
<td>5.6</td>
<td>12.3</td>
<td>3.8</td>
<td>2.2</td>
<td>1.0</td>
</tr>
<tr>
<td>Meadows</td>
<td>12.2</td>
<td></td>
<td>1.1</td>
<td>7.0</td>
<td></td>
</tr>
<tr>
<td>Forest</td>
<td>3.6</td>
<td>1.8</td>
<td>22.2</td>
<td>1.0</td>
<td>5.1</td>
</tr>
<tr>
<td>Total Agric.</td>
<td>21.4</td>
<td>14.1</td>
<td>27.1</td>
<td>3.2</td>
<td>13.1</td>
</tr>
<tr>
<td>Area per capita:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>17.3</td>
<td>7.2</td>
<td>7.3</td>
<td>1.0</td>
<td>19.1</td>
</tr>
<tr>
<td>Arable</td>
<td>1.3</td>
<td>0.6</td>
<td>0.73</td>
<td></td>
<td>0.7</td>
</tr>
<tr>
<td>Total Agric.</td>
<td>5.0</td>
<td>4.4</td>
<td>0.78</td>
<td>9.4</td>
<td></td>
</tr>
<tr>
<td>Production:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (in million metric tons)</td>
<td>2.3</td>
<td>9.3</td>
<td>7.6</td>
<td>4.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Per capita (in metric quintals)</td>
<td>5.4</td>
<td>16.4</td>
<td>12.2</td>
<td>11.1</td>
<td>39.3</td>
</tr>
<tr>
<td>Per hectare for arable &amp; meadow land (metric quintals)</td>
<td>1.3</td>
<td>7.3</td>
<td>15.5</td>
<td>20.5</td>
<td>6.9</td>
</tr>
</tbody>
</table>

Productive Foods: (in metric tons)

<table>
<thead>
<tr>
<th></th>
<th>Chile</th>
<th>California</th>
<th>Sweden</th>
<th>Switzerland</th>
<th>New Zealand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fruits</td>
<td>30.6</td>
<td>3443.0</td>
<td>2300.0</td>
<td>2784.0</td>
<td>4290.0</td>
</tr>
<tr>
<td>Milk</td>
<td>228.0</td>
<td>1550.0</td>
<td>304.0</td>
<td>205.0</td>
<td>631.0</td>
</tr>
<tr>
<td>Meat</td>
<td>160.0</td>
<td>183.0</td>
<td>50.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wine</td>
<td>222.0</td>
<td>468.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cereal &amp; Potatoes</td>
<td>594.0</td>
<td>1739.0</td>
<td>4731.0</td>
<td>746.0</td>
<td>451.0</td>
</tr>
<tr>
<td>Wool</td>
<td>2.9</td>
<td>11.8</td>
<td>0.6</td>
<td>0.3</td>
<td>133.8</td>
</tr>
<tr>
<td>Cotton, tobacco</td>
<td>6.8</td>
<td>99.5</td>
<td>0.6</td>
<td>0.9</td>
<td>0.5</td>
</tr>
<tr>
<td>Beet Sugar</td>
<td></td>
<td>1939.0</td>
<td>266.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 15:


<table>
<thead>
<tr>
<th>Function</th>
<th>1958</th>
<th>1959</th>
<th>1960</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government and High-Level Administration</td>
<td>1.6</td>
<td>1.4</td>
<td>1.1</td>
</tr>
<tr>
<td>Protection of persons and property</td>
<td>1.1</td>
<td>1.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Public Health and Social Welfare</td>
<td>7.6</td>
<td>10.1</td>
<td>11.0</td>
</tr>
<tr>
<td>Housing</td>
<td>2.9</td>
<td>13.6</td>
<td>13.8</td>
</tr>
<tr>
<td>Education</td>
<td>4.7</td>
<td>6.2</td>
<td>4.9</td>
</tr>
<tr>
<td>Agriculture and Fishing</td>
<td>5.9</td>
<td>14.0</td>
<td>15.1</td>
</tr>
<tr>
<td>Mining</td>
<td>3.1</td>
<td>2.6</td>
<td>1.7</td>
</tr>
<tr>
<td>Industry</td>
<td>5.8</td>
<td>7.7</td>
<td>8.3</td>
</tr>
<tr>
<td>Power and Fuel</td>
<td>8.0</td>
<td>17.0</td>
<td>17.5</td>
</tr>
<tr>
<td>Transportation and Communications</td>
<td>31.3</td>
<td>69.7</td>
<td>71.3</td>
</tr>
<tr>
<td>Trade</td>
<td>0.7</td>
<td>1.9</td>
<td>2.9</td>
</tr>
<tr>
<td>National Defense</td>
<td>9.8</td>
<td>6.9</td>
<td>6.5</td>
</tr>
<tr>
<td>Miscellaneous, unclassified</td>
<td>3.1</td>
<td>---</td>
<td>0.0</td>
</tr>
</tbody>
</table>

| Total                                         | 85.6 | 152.3| 153.9 |

(Proposed)


Table 16:

Cooperation through the International Cooperation Administration (ICA).

I. Surplus Agricultural Commodities Agreement
   January 1955, Public Law No. 480, Title I $5,000,000
   March 1956, ditto Title I 34,000,000
   1955-59, ditto Title III 36,526,000
   1960 (planned) ditto Title III 17,000,000

II. Technical Assistance Programs, 1953-1960. 17,058,000

III. Special Loans
   1958, for machinery, products, equipment 10,000,000
   1959, for machinery products, equipment 1,500,000

Embassy of Chile, February 1960.
Table 17:
Other forms of Economic Assistance from U. S. to Chile.

<table>
<thead>
<tr>
<th>Agreements</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Mutual Defense Assistance Pact</td>
<td>Secret</td>
</tr>
<tr>
<td>II. Development Loan Fund</td>
<td>$ 300,000</td>
</tr>
<tr>
<td>May, 1959, Airport construction</td>
<td></td>
</tr>
<tr>
<td>III. Treasury Department: Exchange Stabilization</td>
<td>15,000,000</td>
</tr>
<tr>
<td>IV. U.S. Commercial Banks: Exchange Stabilization 1956-1959: renewed periodically.</td>
<td>53,000,000</td>
</tr>
</tbody>
</table>

Embassy of Chile, February 1960.

Table 18:
Statement of Loans by International Bank for Reconstruction and Development, September 30, 1959, to the Republic of Chile (Guarantor).

<table>
<thead>
<tr>
<th>Borrower</th>
<th>Project</th>
<th>Date</th>
<th>Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fomento-Endesa</td>
<td>Electric power</td>
<td>1948</td>
<td>$13,500,000</td>
</tr>
<tr>
<td>Fomento-Endesa</td>
<td>Electric power</td>
<td>1956</td>
<td>15,000,000</td>
</tr>
<tr>
<td>Fomento-Endesa</td>
<td>Electric power</td>
<td>1959</td>
<td>32,500,000</td>
</tr>
<tr>
<td>Fomento</td>
<td>Agriculture</td>
<td>1948</td>
<td>2,500,000</td>
</tr>
<tr>
<td></td>
<td>Water resources</td>
<td>1951</td>
<td>1,300,000</td>
</tr>
<tr>
<td>Fomento-Others</td>
<td>Paper &amp; Pulp</td>
<td>1953</td>
<td>20,000,000</td>
</tr>
<tr>
<td>Fomento-Others</td>
<td>Coal Expansion</td>
<td>1957</td>
<td>12,200,000</td>
</tr>
<tr>
<td>Fomento-Others</td>
<td>Coal expansion</td>
<td>1957</td>
<td>9,600,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$106,600,000</td>
</tr>
</tbody>
</table>


Table 19:
1940-No. 245. To Development Corporation
   To Endesa for electric power
   $10,500,000
   for agricultural $5,500,000
   miscellaneous $17,000,000

1947-No. 411. To Development Corporation
   To Endesa for electric power
   $2,550,000
   for agriculture $3,200,000
   miscellaneous $950,000

1946-1957: To Pacific Steel Co. (CAP)
   No. 374, 465, 502, 771, 898

1947: Credit to Railways

1950-No. 485. To Department of Public Works

1951-No. 463. To Victoria de Puente Alto
   factory, Rayonhil

1951-No. 503. To National Carbide factory.

1956-No. 808, 89. To nitrate companies.

1959-No. 1079. To Bank of Chile for
   private firms.

1959-Bank of Chile credit to Madeco, copper

1951-No. 464. To Treasury of Chile.

1957-No. 937. To Treasury of Chile.
   For capital goods.

1958-No. 1010. To Treasury of Chile.
   Capital goods for CAP
   among others

1959-Credit to Treasury for investment
   budget of 1959.

1959-Credit to universities for research.

Total Export-Import Bank Credits
   $33,000,000 (paid)
   6,700,000 (see 1)
   80,550,000 (see 2)
   14,000,000 (paid)
   1,800,000 (paid)
   1,200,000 (paid)
   1,150,000 (see 3)
   32,000,000
   25,000,000
   1,900,000
   23,000,000 (see 4)
   12,500,000
   15,000,000
   25,000,000

$273,650,000
1. $500,000 yet to be paid.
2. $60 million yet to be paid.
3. $500,000 yet to be paid
4. $1 million yet to be paid