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ECONOMIC NATIONALISM IN LATIN AMERICA

Richard F. Behrendt

IT HAS become a familiar statement that Latin America is "backward" as far as economic and technological efficiency and social organization are concerned. The contrast in the material development between the Anglo-Saxon and the Indo-Latin parts of the Western Hemisphere is indeed only too obvious. It cannot be our task here to analyze the factors which have been responsible for it and which are by far more complex than is usually assumed. Among the most important ones are climate, topographic conditions, so-called racial dispositions, certain traditional attitudes toward manual labor, effects of the Spanish and Portuguese colonial systems, and the lack of a sizeable European immigration in most countries to the south.¹

However we may feel inclined to explain this situation, the fact remains that ever since achieving their political independence, the former colonies of Spain and Portugal in America have been the field of one-sided commercial expansion and economic exploitation on the part of citizens and concerns from more active and materially more advanced countries in Europe and North America. We find the plantations, railroads, towns, harbors, hospitals, and institutions of the United States fruit companies in the Caribbean; establishments

¹ Attention should be called to the fact that it is inaccurate, and sometimes unfair, to refer to Latin America as if it were a unit. Immense differences in economic, social, and cultural conditions can be found between the various countries and even certain regions within the same country. This article, however, attempts to discuss a problem which to a certain extent is common to all nations of Latin America, although it does not present itself with the same urgency in all of them.

This paper was written before the author had knowledge of Dana G. Munro's study under the same title, in "Latin America in World Affairs, 1900-1940," University of Pennsylvania Bicentennial Conference (Philadelphia: University of Pennsylvania Press, 1941), pp. 27-34.

of the British, Dutch, and United States petroleum corporations in Mexico, Venezuela, Colombia, Peru, and Argentina; those of the British, United States, and Belgian mining and smelting corporations in Bolivia, Peru, Chile, and Mexico; assembly plants and branch factories of North American and European concerns in Argentina and Brazil; and railroads, steamship and air lines, cables, banks, and public utilities owned by British, United States, Canadian, French, Swiss, and Belgian interests practically everywhere. All this without taking into account the innumerable establishments which owe their existence to foreign immigrants who have made their home in the respective countries.

During the entire nineteenth century and until the first world war, this "invasion" of Latin America by foreign economic interests which remained foreign, was carried on with perfectly good conscience. Profit and efficiency arguments were sufficient to justify the fact that a very great portion of the mines, railroads, public utilities, banks, plantations, and industrial plants of those young nations were concentrated in the hands of foreigners and that a very considerable part of the profits derived from them were taken out of the countries where they had been earned. In times of the comparatively purest liberalism which the world has seen, yet, the argument that foreign capital, foreign enterprise, and foreign experience were needed in those scarcely touched countries seemed sufficient to make them legitimate objects of foreign business activities.

And indeed there is hardly any doubt that the economic and social advancement of the last sixty years, which in some of the countries to the south has been remarkable, would have been impossible but for the influx of European and North American capital, initiative, and skilled labor. It is easy to see that those regions where that influx has been greatest, such as Argentina, Uruguay, southern Brazil, and Chile, have profited most.

Yet, we see today all over Latin America a virtually universal, and in some cases violent, reaction to foreign ownership of important productive enterprises, a movement which in its essence is aiming at nothing less than a kind of economic independence of those countries, through the nationalization of foreign-owned enterprises and what is sometimes described as "DECOLONIZATION" of those countries.²

² The term is used by W. Feuerlein and E. Hannan, *Dollars in Latin America* (New York: Council on Foreign Relations, 1941), and has been used before by M. J. Bonn, *The Crumbling of Empire* (London: Allen and Unwin, Ltd., 1938).

Economic nationalism in Latin America has several roots. It is very largely a consequence of the decomposition of international trade which took place between the two world wars, a process for which the artificial protectionism of the industrialized nations of Europe and North America has been primarily responsible. On account of the agricultural import tariffs of Germany and the United States, the imperial preferential system of the British empire, and the frantic attempts at "autarchy," on the part of the little European nations, the foodstuff and raw material exporting countries of Latin America lost a great part of their natural overseas markets. The world economic depression, which to a large extent was the inevitable outcome of the post-war economic nationalism of the "older" countries, only aggravated the plight of the Latin American countries. All those countries were dependent on the production and exportation of relatively few raw material and foodstuff commodities, in exchange for which they had to import practically all manufactured articles and even a great variety of consumers' goods. This situation was by no means unnatural or unhealthy as long as a relatively free system of international exchange of goods, capital, and labor existed. As a matter of fact, it was a state of affairs which corresponded perfectly to the principles of international division of labor which demands the production of goods wherever they can be produced most cheaply. All countries concerned profited from it. The Germans and Swiss were able to buy Argentine meats and Cuban sugars incomparably cheaper and in better quality than they could produce them themselves, while the South Americans found it more profitable to buy their machinery and textiles from the countries specializing in these lines, instead of trying to develop a manufacturing industry of their own.

This simple and sensible state of affairs has come to an end since the Latin Americans have found themselves deprived of some of their natural outlets and have had to face a disastrous decline in export values since 1930. Latin American countries have been forced into the development of manufacturing industries in order to produce at least a number of consumers' goods for those whose purchase in more highly industrialized countries the available foreign exchange was insufficient. Such new industries, at the same time, offer new opportunities to at least a part of the laborers who had lost jobs in agriculture and

mining. Thus, one of the principal reasons for the promotion of manufacturing industries of certain Latin American countries was the necessity of easing their adverse balance of international payments and securing a minimum supply of indispensable consumers' goods.³ Some countries, like Chile, had once before experienced the necessity of far-reaching readjustment of their industrial system on account of the production of artificial substitutes in other parts of the world, such as synthetic nitrate in Germany;⁴ others, like Brazil, Peru, and Cuba, were forced to experiment with diversification of export products in order to mitigate their dependence on one or a few commodities ("monoculture").⁵

The present war, much more than even the first world war, means a tremendous stimulus to this trend toward greater economic independence, particularly in domestic industries, through the reduction of European competition, the difficulties in securing supplies from the United States on account of the shortage of shipping space and the priority system imposed by the United States defense program, and the increased necessity of producing within the country many articles for whose purchase abroad insufficient foreign exchange is available. Those South American nations which already possess certain manufacturing industries, such as Argentina, Brazil, and Chile, are developing their exports in certain lines to their less industrialized neighbors.⁶ Sales of Mexican oil to Brazil, Chile, and other Latin American nations

³ Industrial production in 1938 in Chile was 59.6% over that of 1928; in Mexico 54% over that of 1934. In Argentina, the increase between 1914 and 1935 was 79.1%. In Brazil, the value of industrial production alone was in 1939 equal to that of the total national production in 1930.

⁴ Today industry in Chile gives employment to about 24% of the working population, the leading branch being the textile industry.

⁵ In 1933, 72.8% of Brazil's exports were made in coffee and only 1.2% in cotton. In 1939, the importance of coffee had been reduced to 39.8% and cotton was responsible for 20.7% of the country's exports. Besides, cultivation of rubber, rice, tea, and silk was stimulated for the same purpose. Japanese immigrants have been instrumental in most of these lines.

⁶ Exports from Argentina and Brazil to other Latin American countries increased from 8.4 and 7.2% of total exports in 1939, respectively, to 12.1 and 10.3% of total exports in 1940. In most other countries the relative importance of trade with other Latin American nations is still insignificant.

In summer, 1941, the first mechanical tools produced in Argentina and Brazil were imported into the United States. This amazing development was an outcome of the priorities system which made it very difficult for United States firms to secure tools made in the United States. See *La Prensa* (New York), July 18, Sept. 26, Oct. 2, 1941.

are being advanced. National merchant marines are being expanded by the acquisition of fugitive Axis ships. British-owned government securities and corporation shares in the La Plata countries are used in part payment for British purchase of supplies, and thus converted into national property, a process which recalls a similar one in the United States during the first world war.

The absorption of foreign-owned enterprises by domestic elements is now also speeded up by the "blacklists" of the United States and British governments, which force a number of German and Italian business men to turn their establishments over to nationals.

European capital and skill have been brought to a number of Latin American countries by refugees from practically all parts of Europe, especially during the last few years.

For some time the measures designed to stimulate domestic industries in Latin America have had the effect of inducing North American and European concerns to establish branch factories and assembly plants within the protected territories.⁷ This was feasible so long as there was no opposition to the foreign ownership of such "domestic" industries in the respective countries.

It would be erroneous, however, to overlook another factor which has become increasingly responsible for the efforts at greater economic independence which we have been witnessing in Latin America for the past ten or fifteen years. This factor is not essentially or even primarily economic, but political. It is expressed in the claim of a great many educated and representative Latin Americans of today that the political independence which most of their countries have enjoyed for the last century and a quarter has remained formal and largely ineffectual because it has not been complemented by economic and social "emancipation." These people advocate the restriction and even final elimination of the economic activities of foreigners, not so much on account of pressing economic necessities but rather because they are convinced that before the Latin American nations can achieve full political sovereignty, foreign economic interests must be nationalized even at the cost of considerable material sacrifice.

The great influence and sometimes monopolistic power which

⁷ See D. M. Phelps, *Migration of Industry to South America* (New York and London: McGraw-Hill Book Co., 1936); August Skalweit, *Die wirtschaftliche Emanzipation Südamerikas* (Jena: Gustav Fischer, 1927); Ernst Wagemann, *Wirtschaftspolitische Eindrücke aus Nord- und Südamerika* (Berlin: Deutsche Weltwirtschaftliche Gesellschaft, 1936).

foreign corporations enjoyed for decades (and which is now considerably restricted in a number of countries), is deeply resented, and the way in which some of them secured concessions and real property is bitterly denounced by many intellectuals in Latin America today. It is frequently overlooked, however, that political and social conditions in many of those countries were such as to make the use of devious means, especially graft, inevitable to many business enterprises if they wanted to do business at all, and that corruption in public administration was by no means a novel feature in Latin America which had to be introduced there by foreign capitalists.

These sentiments, which of course are found in various degrees in the different parts of Latin America,⁸ have led to a great many measures aimed either directly or indirectly at foreign economic interests. The most obvious but not necessarily the most important measure is open expropriation, as we have it in Mexico, Bolivia (so far without proper indemnification), and, to a lesser extent, Chile and Brazil. Similar or identical effects can be and have been achieved through government control of the rate policies of public utilities and regulation of the dividend policies of other enterprises owned by foreigners, which in many cases results in making operation unprofitable or unattractive to the original owners; through social legislation and labor disputes in industries dominated by foreign interests, in some cases with the approval and active encouragement of the government, which results in forcing the original owners to turn over their plants to the employees or government agencies; by taxing, restricting, or preventing the transfer of profits to the country of the stockholders, thus inducing them to dispose of their property; through defaults on foreign public debts and their partial repurchase in the open market; through depreciation of currencies, thus cutting down the net income derived from investments in Latin America; through exclusion of foreigners, or certain groups

⁸ Testimonials can be found in T. H. Reynolds, *As Our Neighbors See Us: Readings in the Relations of the United States and Latin America* (Stillwater, Okla.: published by the author, 1940). See also, for Mexico, Ramón Beteta, editor, *Economic and Social Program of Mexico* (Mexico, D. F.; D.A.P.P., 1935); for the "Apra" movement, Victor Raúl Haya de la Torre, *El antiimperialismo y el Apra*, 2a. edición (Santiago de Chile: Ediciones Ercilla, 1936); same author, *¿A dónde va Indoamérica?* 3a. edición (Santiago de Chile: Ediciones Ercilla, 1936); for Argentina, M. Ortiz Pereyra, *La tercera emancipación. Actualidad económica y social de la República Argentina*, 2a. edición (Buenos Aires: Editorial Atlántida, 1935); for Brazil, Rodrigues Silva, "Brazil's Nationalist Economy," in *The Economic Defense of the Western Hemisphere*, see below; for Peru, Leo Camacho, "Esquema de un nuevo nacionalismo," *Gaceta Económica y Financiera* (Lima), I (1939), Nos. 1, 2, 3, 4-5; and many others.

of them, from certain lines of business, particularly retail trade; through restriction of immigration and of employment of non-citizens or naturalized citizens;⁹ and in other ways which cannot even be mentioned here. Many of those measures were, of course, not undertaken with the conscious intention of striking at foreign interests; but it is a fact that they all have the common result of making life for foreign capitalists, industrialists, and public utilities more difficult.

After having accounted for the pressing necessity in which Latin American countries found themselves in inaugurating this course of economic nationalism, it must be pointed out that this course involves some extremely grave problems under the aspect of inter-American cooperation as well as from the viewpoint of an uninterrupted economic and social development of the very countries which undertake such experiments. It is the principal purpose of this article to describe these problems briefly and to consider how they can best be solved along the lines of a truly efficient Pan American coöperation.

* * *

In the first place attention should be called to a very obvious fact which, however, is nowadays largely neglected: that anything even approaching economic independence of any country or region is impossible in today's world. No particular blame, however, can be attached to Latin American spokesmen for not taking this elementary fact into proper consideration, since so many "older" and presumably more mature nations have preceded them in that grave error.¹⁰

Another and more specific consideration is that Latin America requires, and will continue to require for an indefinite period, additional investments of foreign capital, and that under the present policy of expropriation and other forms of nationalization it will prove extremely difficult if not impossible to attract private capital from abroad and even to encourage native capitalists to enlarge the existing investments.

⁹ The publisher of a Chinese-language newspaper in Panama recently was arrested for not complying with the law that requires all business establishments to use citizens in 75% of the positions available. His defense was that there were no Panamanians able to write and edit a Chinese paper.—*El Panamá América*, June 27, 1941.

¹⁰ From a more general aspect it could be asserted that the very notions of nationality and nationalism have been imported from Europe to the Spanish and Portuguese colonies in America, and that they, to a large extent, have been responsible for the breaking up of the Spanish colonial empire into a variety of politically independent units each of which invests a perhaps disproportionately great amount of strength in efforts to complete that independence in the economic and cultural fields.

The relatively short economic development of Latin America is responsible for the limited amount of capital accumulation in most of the countries. In addition, many of the wealthy individuals and families of Creole stock have preferred to maintain their large land holdings along traditional lines without showing much initiative in introducing modern machinery and more intensive methods of production, and without venturing into new lines of business, except real estate and construction of apartment buildings in the larger cities. There are important changes now taking place in countries like Argentina, Chile, Brazil, Uruguay, and Colombia. Yet there is little doubt that for a long time to come, all Latin American countries will continue to depend on foreign investments if they expect to develop their productive organizations and to raise the standard of living of their population. This is a fact which should surprise no one who takes into account that the United States remained a debtor nation until the first world war, and that no country of Latin America at present has reached the state of economic development of the United States in 1917. Aside from capital, Latin America suffers from a shortage of well-trained and experienced technicians and experts in many lines, such as business, public administration, public health, agriculture, and engineering. This is a consequence of the one-sided stress which the traditional Hispanic system of education has laid on the so-called cultural and legalistic studies. Facilities of higher learning and research in the social sciences, engineering, and agriculture are either little developed or entirely absent in most of the countries to the south. There is fortunately now a notable increase of interest in these fields among the younger generation and the more progressive governments, but it will be at least a lifetime before most of those countries will be able to dispense with the services of a great many foreigners who are now engaged in business, teaching, and advisory and research work. As a matter of fact, the more eager the Latin Americans are to speed up the economic and social development of their countries, the more will they find it necessary to avail themselves of the services of well-trained and experienced foreigners.

It can hardly be doubted that the rapidly increasing national self-consciousness in those countries itself is to a certain extent a result of their social and economic progress during the last generation, and thus, in great part, of activities financed and initiated by outsiders.

A particularly grave problem is presented by the efforts aiming at development of manufacturing industries. At present some rather convincing arguments can be presented in favor of this policy. In addition to the aforementioned fact that Latin America has been forced into this direction through the protectionism of older industrialized countries and through the world economic depression, it is now argued that by producing more consumers' goods and even production goods, the Latin American countries make themselves less dependent on Europe, procure new employment for many of their citizens who have become unemployed in export industries, and make up for important supplies, including replacement parts for foreign-built machinery, and defense material, which at present cannot be secured anywhere else.¹¹ Also, it is argued, by raising the living standard of their working population, those countries in Latin America become better customers of the United States. While these arguments are undoubtedly conclusive as far as the present emergency situation is concerned (although it must be doubted whether these policies would be sufficient to check Nazi penetration of South America in case of German victory in the present war), it should not be forgotten that they are not likely to facilitate the great problem of economic readjustment after the present war, a readjustment which can consist only in a return to the principles of international division of labor. Many of Latin America's manufacturing industries are being artificially promoted under the protection of high tariffs, import quotas, foreign exchange control, devaluation of currencies, and government subsidies. Their production costs are inevitably higher, and will continue to be higher, than those of the older industrialized countries, on account of the extremely limited domestic market, unfavorable location of raw material deposits, limited labor efficiency, higher interest rates, and insufficient means of transportation. In many cases a great part of the raw materials as well as

¹¹ Thus, Brazil now builds airplanes and destroyers, and Mexico is experimenting with a 75-mm. cannon built in the National Armory. Argentina, too, has an incipient armament industry.

The Argentine Industrial Union in a recent study points out the beneficial effects of the development of the manufacturing industries by calling attention to the fact that, while in 1918 the index of the cost of living rose to 69.4% over that of 1914, as an effect of the first world war, the index of March, 1941, one and a half years after the outbreak of the present war, was only 0.3% over that of September, 1939.—*Argentine News* (Buenos Aires), October, 1941, p. 14. This reflects the great extent to which mass consumers' goods are today produced domestically in Argentina, in comparison with a quarter of a century ago.

the plant, equipment, and qualified labor has had to be imported.¹²

Again, political and emotional factors are often more instrumental than purely economic ones. Many Latin Americans of today feel that their countries need a fully-developed industrial organization in order to take their place among the leading nations of the world. They fail to consider, however, that highly industrialized nations without a sufficient agricultural basis of their own, such as Great Britain and most of the countries of the European continent, are as dependent on the raw material and foodstuff producing regions as these types of economy are dependent upon the industrialized regions: The myth that agricultural nations are unable to attain a high standard of living is widespread in Latin America, although such countries as Canada, Australia, New Zealand, Holland, and Denmark should offer sufficient examples to the contrary, all of the countries here named being among the richest in the world on a per capita basis. (At least they were until the second world war.) These and other erroneous concepts are responsible for the fact that countries with insufficient domestic markets and sometimes scarcity of basic raw materials are driven into the costly experiment of setting up ambitious heavy industries. It can be doubted if such policies are likely to promote the standard of living of the large masses of the population. So far they have mostly resulted in fostering "domestic" monopolies and in raising the general price level.¹³

Economic nationalism in Latin America has among its strongest advocates socialists, as is natural in countries where so many of the largest private enterprises are owned by foreigners.¹⁴ In Mexico, where

¹² A fact which now causes great hardships to many manufacturing plants in Mexico, Brazil, Chile, Argentina, etc., because of the difficulties of securing raw and semi-manufactured materials from abroad.

¹³ For details concerning the problem of industrialization of Latin America, see D. M. Phelps, "Industrial Expansion in Latin America," *American Economic Review*, XXV (1935), 273-282; same author, *Migration of Industry to South America* (New York and London: McGraw-Hill Book Co., 1936); George Wythe, "Outlook for Latin America Industry," *The Inter-American Quarterly*, II (1940), 36-52; Alfred Schneider, *Die Nationalindustrien Südamerikas* (Hamburg: Ibero-Amerikanisches Institut, 1935); Richard F. Behrendt, "Las Industrias Nacionales en América del Sur," *Universidad de Panamá*, No. 11 (1938), 78-83; same author, "Tendencias Económicas y Sociales del presente en la América Latina," *Universidad de Panamá*, No. 17 (1940), 55-76; "La industrialización en Sud América," *Ceta* (Santiago, Chile), I (1941), 1-3.

¹⁴ Labor legislation in Latin America has been most active in mining and public utilities, fields in which foreign interests are strongest, while agricultural labor has remained virtually untouched by reform measures (except, of course, in Mexico), since most of the land is in the hands of influential nationals. The Mexican labor unions have been most instrumental in bringing about the expropriation of the foreign-owned railroads and oil industry.

socialistic tendencies have attained decisive importance, this combination has achieved its most spectacular results. While Latin American socialists must of necessity be nationalists as well, Latin American nationalists can hardly avoid being socialists, at least for practical purposes and for the time being, because in most countries there does not exist yet a sufficiently broad and potent class of capitalists to replace the foreign investors. Thus, the nationalization of formerly foreign-owned enterprises in Latin America means in the majority of cases their acquisition either by the government or by government-controlled institutions.¹⁵ For these reasons economic nationalism in Latin America is bound to concentrate a greater amount of power and responsibility in the hands of government agencies.

However one may be inclined to think about the advantages or disadvantages of social control of economic life in general, the fact remains that most Latin American countries have not yet attained democracy and that they are still lacking in effective control of government activities by public opinion. One of the basic problems of Latin America is the discrepancy between the broad masses of the population, among whom a very low standard of living and scarcity of formal education prevails, and a relatively small group of large land owners and military and political key personages. The political decisions have almost always been in the hands of this small governing group, while the masses of the plain people have remained practically inarticulate. In other words, there is lacking a broad middle class composed of independent farmers, business men, and professionals, that class which is an indispensable basis of any working democracy. As a consequence, most educated people depend on the government for making a living through public offices and must therefore be vitally interested in politics. They exercise a tremendous strain on the public treasuries and continuous pressure on those who are in a position to distribute the spoils of office. This has been, for more than a century, one of the main causes of political unrest in Latin America.

At present, the rather abrupt and frequently unprepared manner in which Latin American nations enter the sphere of large-scale business,

¹⁵ For a discussion of methods used in Brazil see Erymá Carneiro, *As autarquias e as sociedades de economia mista no estado novo* (Rio de Janeiro: Departamento de Imprensa e Propaganda, 1941).

According to a recent official declaration of the government of dictator Higinio Morinigo of Paraguay, "the inertia of the liberal State must cede its place to the dynamism of the protecting and directing State."—*La Prensa* (New York City), Oct. 25, 1941.

opens a vast new field to political influences and political struggles. In very many cases business principles are being superseded by considerations of political convenience, and even by personal and family interests of influential politicians. Public functionaries, most of them appointed for political reasons rather than because of special training, ability, and experience, are taking hold of duties for whose adequate discharge they often lack the necessary background. Also, the wastefulness characteristic of the handling of economic affairs by a bureaucracy, can already be noted—by a bureaucracy, however, which lacks the stability and disinterestedness of a civil service. The trend toward economic planning and a “directed” economy in Latin America, furthermore, has to face the extremely serious scarcity of exact information, in form of statistical data and scientific research, and the lack of an adequate local administrative organization capable of handling the additional tasks.

There is today in Latin America a widespread belief that through new constitutions, laws, and decrees—most of which are short-lived—one can alter deeply-rooted economic and social realities.¹⁶ This can probably be partly explained through the tradition of centralized government which ever since the establishment of the colonial regime has been responsible for making so many people rely on the government as the source of all initiative, instead of upon themselves.

Also, in the countries where socialistic tendencies and labor unions have become powerful, the danger is only too obvious that the *hacendados* and *latifundistas* of former times are being replaced by extremist intellectual agitators and not always very intellectual professional politicians who are not always working for the benefit of the rather inarticulate masses which they claim to represent.

¹⁶ By Brazilian presidential decree of April 9, 1941, an older constitutional provision was put into effect providing that “beginning July 1, 1946, there can only function in Brazil those banks of deposit whose capital belongs in its entirety to persons of Brazilian nationality.” It was the Brazilian contention that the foreign banks used Brazilian funds outside the country, while the foreign bankers maintained they had brought considerable outside capital into Brazil. On September 13, 1941, it was announced that the decree would be cancelled and that “any bank incorporated and owned by citizens of any country of the Americas will be free to operate in Brazil.” It had been realized that the growing Brazilian-United States trade made the functioning of United States banks in Brazil indispensable. See *New York Times*, September 14, 1941.

On November 1, 1939, it was reported from Santiago, Chile, that the new President, Aguirre Cerda, had ordered the preparation of a project providing that foreign companies, particularly industrial organizations, must be completely Chileanized, with 100% Chilean personnel, within five years. In other words, the government of a country of hardly 5,000,000 people and with a high rate of illiteracy proposed to achieve something which does not exist even in the countries of long industrial development and experience.

It must be doubted whether under these circumstances the best interests of the very countries which undertake such experiments will be served. Very discouraging experiences have been made along these lines in Mexico, with the workers' administration of the expropriated railroads and the government's administration of the expropriated oil industry, as well as in Bolivia and other countries.¹⁷

It is widely admitted today that the results of the economic policy of the past seven years of the Mexican "revolution" would be more satisfactory if the Cárdenas administration had concentrated its efforts on the promotion of land reforms, sanitation, and agricultural education instead of at the same time carrying the nationalization program forward in the petroleum, transportation, and other industries as well, thus depriving itself of valuable sources of revenue and creating a whole string of additional problems and conflicts.

On the other hand, if the economic "decolonization" of Latin America were allowed to proceed gradually and naturally, it would result in helping increasing numbers of people find profitable occupation in privately owned and operated industries, and thus make them less dependent on politics. The pressure on the public treasuries would ease, the countries would gain in social and political stability, and would approach faster a state in which truly popular government would become a reality.

It is surprising how little initiative most Latin American governments have shown in one field in which a constructive program for greater economic independence could very advantageously be combined not only with tolerance toward foreign collaborators, but even with a greater extent of foreign participation. Reference is made to

¹⁷ For a more ample treatment see R. F. Behrendt, "Tendencias económicas y sociales del presente en la América Latina," *Universidad de Panamá*, No. 17 (1940), 55-76.

Mexico, a few years ago one of the largest oil-producing countries in the world, "recently has been in the market for large quantities of gasoline from the United States, partly because of the inefficient operation of existing plants." *New York Times*, Financial Section, October 19, 1941.—*La Prensa*, the great daily of Buenos Aires (October 3, 1941), in commenting on the oil shortage in Argentina and other Latin American countries, caused by the lack of tankers during the war emergency, and on the plan for inter-American coordination of oil supplies which is now under consideration, said: "This reaffirms us in the opinion that not only our country but also other countries of South America committed a mistake by nationalizing the oil industry and excluding the private activity. Is it not worth meditating that countries with admittedly rich resources of liquid fuels produce only 25% of the petroleum they consume? What does it help us to have reserved the entire national territory when we find ourselves dependent on the good will of other nations? The proof is obvious. It illustrates with convincing eloquence the repeated criticism directed against that exclusivistic and absorbent nationalism of a purely verbal value which has made us in reality much more dependent on foreign countries."

the possibility of large-scale settlement in Latin America of European refugees, especially farmers and artisans, from countries under totalitarian domination. Such a plan would provide new homes to expatriates desperately in search of a place in which to start life anew. It would provide additional population and experienced, hard-working farmers and craftsmen (only these types should be considered) for Latin American countries, most of which are underpopulated and badly in need of such classes of people to strengthen their productive systems. (As a matter of fact, one of the reasons for the material backwardness of many of the countries has been the lack of European immigration.) It also would provide additional consumers for Latin American products as yet exported to Europe, and some observers have pointed out that it might be a good idea for the United States, instead of granting the Latin American governments "loans" with which to purchase, store, and, partly, destroy their agricultural surpluses, to aid them in settling in their own countries additional consumers who would as well be producers of needed goods. And, last but not least, such immigration would strengthen the files of reliable defenders of democracy in countries which are now threatened with totalitarian penetration.

Yet, there has been not only little initiative in this respect on the part of Latin American governments (with a few notable exceptions, such as Mexico and the Dominican Republic), but outright reluctance to admit considerable numbers of immigrants, ever since the beginning of the economic depression. In that part of the world, as well as in others, can be observed the loss of that conviction which used to bring so much benefit to the "young" nations in the liberal era: that any capable and honest immigrant, poor though he were, was not to be considered as a burden to the country where he chose to make his new home for himself and his children. Even before the present war made the realization of large-scale settlement plans difficult or impossible, most countries in Central and South America had imposed rigid restrictions on immigration.¹⁸

¹⁸ For the present situation and existing opportunities see E. W. H. Lumsden, "Immigration and Politics in Latin America," *The Inter-American Quarterly*, II (1940), 64-73; Earl P. Hanson, "The Americas and the Refugees," *The American Mercury*, LII (1941), 45-52; Joshua Hochstein, "Solución moral al problema económico de las Américas," *América* (La Habana), VII (1940), 23-32.—It is interesting to note that the attitude of most Latin American countries (excepting, of course, the La Plata countries, Brazil, and Chile) toward immigration has always been somewhat ambiguous. While the necessity of additional skilled labor and agricultural farm population has always been stressed by

Another untoward and very obvious effect of economic nationalism in Latin America bears directly upon the future of inter-American coöperation. The fact that many millions of dollars of United States investments have been lost in Latin America since 1930 (although this has been due only partly to Latin American government policies, and to a considerable part to the protectionism of the creditor nations themselves),¹⁹ has certainly not contributed to the promotion of good will among an important sector of the North American public. Quite aside from the interests and sentiments of those immediately affected, it can safely be stated that any inter-American coöperation worthy of this name must be based on mutual benefit, mutual consideration, and mutual confidence. Only too frequently can one hear the argument in this country that the Good Neighbor policy favors the Latin Americans only and encourages them to go ahead with their anti-foreign policies.

There is a distinct danger in the fact that practically all financial aid extended to Latin America during the last few years has come from United States government agencies, instead of private creditors in this country. This is an only too obvious indication that Latin America has not yet recovered its credit status with the United States public. On the other hand, experience shows that whenever and wherever certain minimum guarantees concerning legal and political safety exist, no special inducements are necessary to cause foreign capitalists

¹⁹ Among the best recent publications on the problems of United States investments in Latin America are W. Feuerlein and E. Hannan, *Dollars in Latin America* (New York: Council on Foreign Relations, 1941); "Economic Relations with Latin America," *Michigan Business Papers*, No. 6, 1940; Cleona Lewis, *America's Stake in International Investments* (Washington, D. C.: The Brookings Institution, 1938); Pablo M. Minelli, *Las inversiones internacionales en la América Latina* (La Habana: Cultural, S. A., 1938).

leading Latin Americans, in very few cases has such immigration ever received really effective promotion. As early as in the 1860's a British scientist travelling in Central America remarked tersely: "There is nothing more singular than the dislike most Spanish Americans have toward foreigners.... Yet a superficial observer would think that there are no people in the world who were more ready to receive immigration with the open arms of welcome. In none of the Republics are government decrees wanting, offering the most liberal terms to foreigners who may be ready to come into their depopulated countries, where on an average there is hardly a man to every square mile; and the people themselves, especially the upper classes, always tell one that all that is required to make their country the most flourishing on the face of the earth are [*sic*] 'hands.' But when their professions are really put to the test, they throw so many obstacles in the way of the immigrants, that most of them lose heart. Many a well-considered scheme for the peopling of Spanish America has thus become abortive...." Bernard Seemann, in Bedford Pim and Bernard Seemann, *Dottings on the Roadside, in Panama, Nicaragua, and Mosquito* (London: Chapman and Hall, 1869), pp. 57f.

not only to re-invest great parts of their earnings but to increase their investments.^{19a}

On the other hand, in the countries to the south many people are still inclined to interpret the Good Neighbor policy and the present efforts at Pan American coöperation as a temporary device designed to protect the United States' interests for the duration of the war. Some go even so far as to denounce the present policy as a return of the old "dollar diplomacy" under the disguise of the organization of a common hemisphere front against a common enemy—an interpretation which is of course ardently promoted, if not suggested, by the totalitarian propaganda. A favorite argument is that it would be decidedly disadvantageous for the Latin American nations to shift a majority of their foreign trade to the United States, thus making themselves dependent upon one strong power, economically as well as politically, while their most important natural market will always be Europe anyway—a Europe which, "reorganized" under German leadership, only awaits the victorious termination of the war in order to open her ports more widely than ever to the products of South and Central America.²⁰

It is obvious that before the outbreak of the present war, the expropriation and confiscation policy, as practiced by Mexico and Bolivia, inevitably played into the hands of Germany, Italy, and Japan, since they were the only industrial countries which had no considerable investments to lose and which were therefore ready to accept the output of the expropriated industries in barter.

It should be pointed out, in this connection, that for a long time in the minds of many of the most influential Latin American nationalists the "Colossus of the North" loomed as the most formidable threat to their countries. According to Haya de la Torre, the founder and leader of the "Apra," the most important popular movement in Latin America south of Mexico, "the European economic danger is secondary for Latin America in comparison with the North American danger. . . .

^{19a} In connection with the present loan negotiations between the governments of the United States and Mexico, J. H. Carmical in the *New York Times*, Financial Section, October 19, 1941, reports that the reaction in Mexico City "is that the loan and credit will not serve the purposes for which they are intended unless the oil question is settled. With no foreign capital having gone to Mexico in recent years for development purposes, the belief is that the only way in which such funds now may be attracted there is through the settlement of the oil question in a manner satisfactory to all concerned, including the oil companies." [Emphasis supplied.]

²⁰ For examples of German and Spanish propaganda of this kind see R. F. Behrendt, "The Totalitarian Aggressors," in American Council on Public Affairs, *The Economic Defense of the Western Hemisphere* (Washington, D. C., 1941), pp. 103-129.

Latin America turns out to be the battle field between the European and the North American imperialisms, and our economic dependence becomes every time graver with the victory of the powerful neighbor over his European competitor. The methods of North American capitalism comply more amply with the phenomenon of capitalistic concentration."²¹ Thus, originally the first of the five main points of the Apra program demanded "action against the Yankee imperialism," and only later was this changed to "action against imperialism" in general.²² It was not until 1940 that finally these and other Latin American nationalists admitted that even more imminent was the danger of totalitarian aggression and, in its wake, the elimination of all individual liberties and of the independence of weak nations; whereupon they proclaimed coöperation of a united Latin America with Great Britain and the United States as necessary for the survival of their own countries.²³

This change, however, by no means reflects the general attitude of nationalists in Latin America, even today.²⁴

* * *

In the face of this situation it seems most important to convince the representative leaders as well as public opinion in both the United States and Latin America of the following facts:

1. That it is the common interest of both to promote, in any feasible way, a closer, more comprehensive, and permanent economic coöperation than existed before the present war;
2. That there is, in the complementary natural resources, labor resources, and industrial facilities of the two great regions of the hemisphere, a sufficiently broad basis for such coöperation.
3. That coöperation cannot be one-sided as it has been in the

²¹ Victor Raúl Haya de la Torre, *¿A dónde va Indoamérica?*, pp. 245, 259.

²² Victor Raúl Haya de la Torre, *El antiimperialismo y el Apra*, p. 33.

²³ For this revision of the Apra policy, see Manuel Seoane, *Nuestra América y la guerra* (Santiago de Chile: Ediciones Ercilla, 1940), and W. G. Fletcher, "Aprismo Today," *Inter-American Quarterly*, III (1941), 14-20. Regarding the attitude of certain Latin American nationalists toward the United States during the present war, see also the excellent article by Joshua Hochstein, "Anti-Imperialismo Desviado," *América* (La Habana), VIII (1940), 11-14.

²⁴ The present war has naturally increased the commercial dependence of Latin America on the "Colossus of the North." In 1940, eight Latin American countries—Colombia, Cuba, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Panama—shipped 70% or more of their total exports to the United States, and four others—Chile, Costa Rica, Ecuador, and Haiti—exported more than 50% of their total exports to this country. It is significant that all those countries, with only two exceptions, are in the Caribbean area. Of the total exports of Latin America, 44.2% were absorbed by the United States in 1940, against 31.5% in 1938.

past, in so far as most of the initiative and responsibility came from foreigners, with the profits accruing to them—but that it must be based on joint responsibility, common interest, and mutual benefit of both Latin and North American elements. (Incidentally, it seems about time to revive the by-no-means-outmoded liberal teaching that well-understood national and “foreign” interests are perfectly compatible.);

4. That for this purpose the Latin Americans must realize that their countries, for a long time to come, will require foreign participation in the development of their economic and social life; and that in order to facilitate such contributions they will have to admit foreign capital, executive ability, and skilled labor, and to offer them a certain minimum amount of legal and political security and stability;

5. That an equally indispensable requisite on the part of the North Americans will be the willingness to admit Latin Americans as partners with equal rights, and the development of an attitude by which Latin America and its peoples will not be considered primarily as objects of exploitation but rather as indispensable and welcome collaborators in their own right.²⁵ The necessary adjustments in this respect will have to be rather comprehensive. Otherwise, “el capitalismo yanqui” will find the sociological tide in most Latin American countries turning against it more strongly every day.

It is almost a commonplace to point out that the creation of such an attitude must be a matter of education. We are now faced with the rather peculiar situation that after a long period of mutual indifference between North and Latin America during which business relations were stressed almost exclusively, the countries of Pan America are swept by a sudden deluge of hectic manifestations of good neighborliness, many of which bear only too obviously the mark of superficiality and lack of seriousness. There is a great danger in approaching an understanding of Latin America by means of night club attractions, tourist propaganda, and Hollywood productions.

Latin America is not merely a picturesque region, full of unexploited riches which only wait for the American tourist and capitalist

²⁵ This will mean, besides other things, the gradual transfer of ownership and management of a considerable part of foreign-owned enterprises to nationals. For practical suggestions, see James H. Drumm, “A Suggestion for the Administration of Investments in Latin America,” *Economic Relations with Latin America*, pp. 43-46; B. Eliacheff, “A Scheme for Handling Latin American Debts,” *The Inter-American Quarterly*, III (1941), 21-29; W. Feuerlein and E. Hannan, *op. cit.*, pp. 87f.; Eduardo Salazar Gómez, “Los futuros Inversionistas extranjeros,” *América* (La Habana) X (1941), 25-37.

to discover that new frontier and to materialize down there the El Dorado of a new prosperity. Latin America is a world of its own, with its very particular and definite problems. What is required is nothing short of the creation of a new attitude between the two Americas. While it is certainly true that no stable international friendship can be expected unless it is based on mutual economic interests, it is equally true that the human approach to Latin America is of the utmost importance.²⁶

Too often the fact is overlooked that certain foreign enterprises draw upon themselves the resentment and opposition of the "natives," not so much on account of their being foreign and trying to earn profits, but rather because their foreign executives give the appearance of not caring to win the good will of the average people with whom they have to deal.

There are wide and perhaps basic differences in temperament and mentality between the two main groups of the Americas, differences which should be neither minimized nor regarded as insurmountable obstacles to good understanding. They should rather be considered as contributing to the stimulating variety of components which is so characteristic of the New World. On the other hand, they make it necessary for all Americans to arrive at an adequate and sympathetic understanding of the characteristics of their neighbors and to adjust their own attitudes to them accordingly. It is not merely a question of teaching United States business men in their dealings with Latin America to inquire about the health of the family of their prospective customers before starting a sales talk. There are incomparably deeper differences involved, concerning practical philosophy, the rhythm of life, the role of conventions and traditions, ideas of personal dignity, etc. Many recent blunders in feverish good neighborliness can be attributed to an insufficient understanding of such factors.

Comprehensive plans for economic coöperation between the Americas are now being drawn up and carried out. They involve the building up of new lines of production in Latin America, in agriculture, mining, and manufacturing, for export to the United States as well as for domestic use, and the orderly marketing of export surpluses

²⁶ For a comparison between the North American and German attitude in this respect, see R. F. Behrendt, "The Totalitarian Aggressors," *loc. cit.*

of the various nations of the hemisphere.²⁷ They signify probably the greatest and most promising experiment in voluntary coöperation as yet conducted among a considerable number of nations, unequal in size, power, and wealth, but linked together by similar interests and ideals and, let us hope, by mutual respect.²⁸ (This holds true also for those who, like the present writer, do not harbor any illusions as to the feasibility of achieving "hemispheric self-sufficiency" or the possibility of making the Americas independent from the fate of the rest of the world.)

The success of these plans is by no means assured yet. It will depend partly on the future course and outcome of the war, and partly also on the ability and willingness of all concerned to make the necessary adjustments *in-time*—which involves the discarding of long-cherished prejudices and the renouncing of the immediate realization of certain utopias as well as the setting aside of certain limited group interests (or what passes for such) in favor of the carrying out of a policy which serves the fundamental interests of all the people of the hemisphere. For this, vision and enthusiasm are indispensable, but they must be reinforced by careful training, solid study, and practical experience, and complemented by very frank and precise discussions in business terms.

Education for true Pan Americanism can hardly begin early enough and will therefore have to permeate all types of schools. All constructive action along these lines, however, makes even more pressing the creation of some really efficient institutions for teaching and research in inter-American economics, sociology, technology, agriculture, and public health. Such institutions are indispensable to both Latin and

²⁷ For details see Mordecai Ezekiel, *Economic Relations between the Americas* (New York: Carnegie Endowment for International Peace, 1941); Percy W. Bidwell, *Economic Defense of Latin America* (Boston: World Peace Foundation, 1941); D. M. Phelps, "The Evolution of Economic Coöperation in the Hemisphere," *The Inter-American Quarterly*, III (1941), 39-52; Richard F. Behrendt, *Inter-American Trade Promotion* (Chicago: Central YMCA College, 1941); American Council on Public Affairs, *The Economic Defense of the Western Hemisphere* (Washington, D. C.: American Council on Public Affairs, 1941); "The Americas—North and South," *Survey Graphic*, XXX (1941), 101-213.

²⁸ An amazing spectacle is provided by certain United States commentators of 1941 who levy charges against the recent inter-American policy of this country for being "imperialistic," because the United States government is "using its financial and diplomatic might to extend the business of its nationals," as in the case of one Export-Import Bank loan to South America which "was contracted for the deliberate purpose of enabling an American firm to get an order which would otherwise have gone to a German competitor."—Horace B. Davis, in *The Economic Defense of the Western Hemisphere*, p. 16. The argument that by doing so the firm prevented Nazi Germany from obtaining some foreign exchange with which to push forward its war preparation, should be considered sufficient justification today—at long last.

North America for furnishing more exact and ample knowledge about conditions south of the Rio Grande than is available now, and for the training of badly needed specialists and technicians.²⁹

Education for Pan Americanism, far from being an emergency matter, will have to be one of the principal ideals of education for this and the future generations of the Western Hemisphere. One of its aims will have to be the overcoming of that attitude of narrow nationalism which is nothing but collective egotism with good conscience and which is the greatest plague that has ever harassed humanity. Potentially, the destructive forces of nationalism are in Latin America as great as anywhere else.

It would be easy illusionism to assume that the Western Hemisphere enjoys a natural privilege to remain spared from serious international conflicts within itself. There have been only too many wars between American nations, some of them frightfully bloody, and even right now there is going on an undeclared war, in contemporary European and Japanese fashion, between Peru and Ecuador, which at the writing of this, after four months of open blaze and after having brought death, destruction, and misery to scores of civilians in Ecuador, has remained unchecked by the Pan American peace machinery and has even failed to mobilize public opinion in the Americas.

There is but a remote possibility of a Latin American or Indo-American nationalism, in view of the numerous jealousies, prejudices, and frictions among individual nations in that area, the immense differences in ethnic, cultural, and economic conditions, and the relative scarcity of contacts which exist among them. Nationalism in Latin America, up to now, and for most practical purposes, has remained national separatism, despite certain tendencies promoting the development of a regional or "racial" spirit.

There is a tendency on the part of some North American "liberals" to encourage and idealize nationalism in Latin America. By doing so, and by overlooking the danger of immature nationalistic experiments

²⁹ For a more ample treatment see B. W. Diffie, "The Next Step: A Higher School of Latin American Studies," *The Inter-American Quarterly*, III (1941), 5-9, and the following publications of the author of this article: "A Plea for the Study of Latin American Economic and Social Problems," in *Inter-American Bibliographical and Library Association, Proceedings of the First Convention* (New York: H. W. Wilson Co., 1938), pp. 235-241; "Promotion of Teaching and Research in Latin American Economics and Sociology," in *Proceedings of the Inter-American Educational and Cultural Conference* (University of Florida, Gainesville, Fla., 1940), pp. 45-56; "A Higher School of Latin American Studies—A Step Overdue," *The Inter-American Quarterly*, III (1941), 38-45.

to the economic life and political stability of those countries, they are serving neither the interests of our neighbors nor those of Pan Americanism.³⁰

It is only too true that the outbreak of international anarchy between the two world wars was very largely caused by the inability or unwillingness of the great established industrial countries of the world to guarantee unhampered exchange of goods, capital and manpower, and freedom from aggression. It would mean another immense tragedy should the young nations of Latin America, if and when the present war is won by the powers actively fighting aggression, constitute an obstacle to that comprehensive readjustment of international relations according to the requirements of economic and political sanity which will be the basic prerequisite for avoiding another world catastrophe.

Nobody will deny the Latin Americans the right to achieve the same measure of wealth and welfare which other peoples have attained, and to take the fullest advantage of the immense potential riches of their countries. Few serious and unbiased students of Latin America will doubt its peoples' ability to finally reach this most desirable goal.

No country, however, can achieve either economic or political maturity—meaning democracy—through “pronunciamentos,” that is, solemn revolutionary declarations, or through improvised legislative measures. Such maturity can only be the fruit of a gradual, and sometimes painful, growth of the physical, vocational, and political capacities of the whole population. Latin American countries will lose the colonial traits of their economies in direct proportion to their capacity for building a system of general education, public health, and popular government, based on the civic responsibility and material productiveness of their citizens. “Decolonization,” in other words, is a process, not an act. It will be one of the foremost tasks of this and coming generations of Americans in all parts of the hemisphere to bend their cooperative efforts towards a program of economic progress which, without jeopardizing the very welfare of those whom it is trying to aid or interfering with the legitimate interests of any of their neighbors, will have to be devised so as to benefit all.

³⁰ Equally unrealistic and unwarranted is the tendency, to be found today among some of the same ideologists, to construct antagonisms of interest between Latin America and the United States, as well as between this country and Great Britain, so far as the Latin American market is concerned. For example, see the contributions by Horace B. Davis and Scott Nearing to *The Economic Defense of the Western Hemisphere*. Also, S. Mangan, “Report from Argentina,” *Fortune*, XXIII (May, 1941), 28-29.