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With the launching of the Alliance for Progress in 1961, the role of the United States in Central American development underwent a major transformation. This was a bold and unprecedented effort to encourage comprehensive national planning and to promote a wide array of social, political, tax and land reforms, supported by significantly increased resources from the United States, the newly created Inter-American Development Bank, the World Bank and other aid donors. The assistance from the United States, and perhaps equally as significant, the personal identification of President Kennedy with the program, was a critical factor in the surge of Central American development which began in the 1960's.

U.S. assistance was instrumental in the creation of effective central banks and private intermediate credit institutions, and in the establishment of agricultural cooperatives, housing projects, roads, health centers, population assistance, and technical training. The Alliance for Progress also provided major funding and cooperative planning to the Central American Common Market, which was perhaps its most important single contribution to Central American growth during this period.

In essence, the Alliance was a compact between our government and the governments of Latin America. The goals of the Alliance were three: economic growth, structural change in societies, and political democratization. But as we have seen, it was only in the first area that significant progress was made. Central America's growth rate of over 5 percent per capita during the 1960's far surpassed the 2.5 percent target for all of Latin America laid down in the charter of the Alliance. An impressive inventory of physical infrastructure was constructed in the five Central American countries during this period, including schools, hospitals, low-cost housing, and sewage systems.

But the other two goals of the Alliance, structural change and political democratization, proved much more difficult to achieve.

Direct private investment in Central America by U.S. firms also continued to grow during these years. While that investment might seem small in relation to total U.S. investment abroad (currently about 2.4 percent, including Panama), it was large in Central American terms. It has contributed substantially to the region's growth, as many Central Americans are quick to acknowledge. At the same time, it has been a constant target of the propaganda of the radical left, which has played upon the theme of economic hegemony and "imperialism."

Central America's dependence on trade with the United States has, of course, always been high. Though the portion of