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#1d memo/ report	Benjamin Read to Walt Rostow w/Progress Report on NSAM 349 Confidential 10 p open 3-14-94 NLJ 93-347	3/25/68	A
#2 memo	W.G. Bowdler to Walt Rostow Confidential 1 p open 5-30-95 NLJ 93-372	7/3/67	A
#2b report	Progress Report on NSAM 349 Confidential 11 p open 3-14-94 NLJ 93-347	7/2/67	A
#5a report	Progress Report on NSAM 349 " Confidential 17 p	2/14/67	A
#7 letter	Walt Rostow for Secretary McNamara Confidential 1 p open 5-30-95 NLJ 93-372	6/3/66	A
#8, #9, #10, #11	duplicates of #7 "		
#12 letter	Walt Rostow for Secretary Rusk Confidential 1 p open 8-27-90 NLJ 93-372	6/3/66	A
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#22c report	The Frontiers of South America, Appendix VI Confidential 9 p open 3-14-94 NLJ 93-347	n.d.	A

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

March 28, 1968

MEMORANDUM FOR WALT ROSTOW

SUBJECT: Inner Frontiers of South America

I get the feeling that after much shoving, the "inner frontiers" bandwagon is beginning to roll:

1. CIAP has finally put out the sanitized version of your "Frontiers" paper in English and Spanish (Tab A).
2. ARA has produced a 6-month progress report on Latin American infrastructure development which shows that the program is moving slowly -- but moving. (Tab B).
3. ARA is reviewing the scenario paper at Tab C for establishing a Task Force under CIAP to develop an overall plan, with priorities, for the physical integration of Latin America. You will recall the President at the NSC session on Latin America told Covey to organize a task force to study roads. I think the task force should be inter-American, should function under CIAP (to build CIAP up) and should study telecommunications, power, air and sea transport, pipelines, agriculture, as well as highways.

I hope the President will be willing to launch the Task Force idea either at Hemisfair (April 6) or in connection with Pan American Day (April 14).

WGB
WGBowdler

Attachments

Tab A - CIAP's sanitized version of the "Frontiers" paper.

Tab B - State/ARA 6-month progress report on "Frontiers".

Tab C - Draft of proposed scenario for promoting LA integration.

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A

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B

INTER-AMERICAN COMMITTEE ON THE ALLIANCE FOR PROGRESS

16

THE FRONTIERS OF SOUTH AMERICA

Pan American Union

INTER-AMERICAN COMMITTEE ON THE ALLIANCE FOR PROGRESS

THE FRONTIERS OF SOUTH AMERICA

*Document presented to the Inter-American Committee on
the Alliance for Progress, at its Ninth Meeting, held in
Washington, D. C., from 3 to 6 October 1966*

Pan American Union
General Secretariat, Organization of American States
Washington, D. C.
1967

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INTRODUCTION

This report is a summary of a preliminary effort to assess the appropriate role of hitherto unused (or underutilized) land and natural resources in the economic development of South America.

Part One seeks to put the problem in a general economic perspective.

Part Two examines the characteristics and potentialities of the principal underdeveloped regions and the locations of mayor untapped natural resources.

Part Three summarizes the projects in progress or under examination.

I. ECONOMIC BACKGROUND

A population density map (Figure 1) reveals South America as a continent whose people still live mainly along or close to the seacoasts. A vast, unpopulated--or barely populated--interior beckons and challenges, as it has done for several centuries.

The result is a product of geography and economic history.

The locations of mountain ranges and escarpments as well as forbidding tropical lowlands and rain forests (Figures 2 and 3) decreed that men would first exploit the arable land near the coast or accessible to it. The Indian population, it is true, remained withdrawn in the Andean cordilleras and altiplano, maintaining a distinct cultural and social life, although the impact of modern public health measures has created population pressure in the past generation. Moreover, minerals and timber (and, at one time, Amazonian rubber) drew some enterprise to the South American interior, but it was--and by and large remains--a difficult and expensive frontier to exploit.

The first two mayor phases of South American economic development reinforced the bias of nature. The area developed, in the first instance, as a supplier of agricultural products and raw materials to Europe, and then, to the United States. The modern elements in South American life were thus focused around the ports, and a premium was attached to agricultural development in regions close to the seacoast or accessible by rail or road.

Over the last 30 years, the continent experienced its first major phase of industrialization. The initial leading sector in industrial growth has been the production of consumer goods in substitution of imports. The markets for such goods were, naturally, existing centers of population and wealth. Thus, the coastal cities built up to manage South America's international commerce became the centers of industrial activity. The coastal bias in development was thus reinforced.

This initial industrial phase of South American development was accompanied by a rise of urban groups to effective political and social power. Investment in infrastructure, housing, education, and health was disproportionately concentrated in the coastal cities. With certain notable exceptions--for example, the building of Brasilia--the development of the South American interior and, indeed, of agriculture in general, was relatively neglected over the past generation.

South America now stands at a stage where it is appropriate to look afresh at the potentialities of the frontiers, for the following reasons:



Figure 1



Figure 2



Figure 3

-- The demand for food (flowing from the expansion of population, incomes, and urbanization) is increasing in the region as a whole faster than food production.

-- The import substitution boom in consumer goods for urban markets has clearly lost its power to carry forward industrialization in most South American countries. They must now turn to widening their domestic and diversifying their foreign markets, and building an efficient capital goods base for their industrial structures.

-- The drive toward economic integration is gathering strength under a mixture of economic, political and psychological pressures; and the development of some of the potential new land requires cooperation among South American countries as well as between them and the international financing community.

-- The growing industrial and technological competence of South America, combined with new technology and capital available from abroad, now makes possible the economic development of some regions hitherto denied by natural barriers, soil limitations, and endemic disease.

In the next phase, South American industrialization must move toward efficiency and maturity. Markets must be widened and linked. The race between food production and demand must be won and, indeed, South America should again become a food exporter. Its unexploited natural resources must be put to work to provide chemical fertilizers, minerals and fuel for its own development and to expand foreign exchange earnings.

There is, thus, an instinctive and proper feeling that the opening up of hitherto unused land and resources could and should play an important part in this process. But what part--and how big a part--depends on answers to difficult and important economic questions.

The South American interior is not, by any means, a rich, open fertile region like the great plains of North America. Its development has been thus far impeded by real factors:

- the high cost of access and of transporting its products to market;
- the high cost of establishing settlements with community facilities and social infrastructure of the kind available in coastal regions;
- considerable lack of knowledge and technical assistance necessary to bring the soils into efficient use;
- in some cases, the continued prevalence of uncontrolled disease;
- in other cases, laws, public policies and international frictions which inhibit the opening up of new lands and resources.

In short, what must be established is whether investment in opening up new land will yield greater benefits with respect to agricultural production and productivity, new resources, and expanded markets than investment to these ends in the more developed regions of South America. Moreover, the changes in law, policy and international agreements required for the economic exploitation of unused land and natural resources must be identified.

The answer to these questions must be established region by region and project by project against the background of expanding research and exploration, for, despite the powerful attraction the South American interior has to adventurous minds, there is a great deal we do not know. Investment decisions must be based on the answers to these questions.

Nevertheless, it is possible to map roughly the potentialities and to suggest where and how to move forward on a rational basis.

II. MAJOR UNDERDEVELOPED REGIONS AND RESOURCES OF SOUTH AMERICA

A. LAND

It is useful to set out the major potential unused regions of South America under the following nine headings, moving more or less counterclockwise south from the Panama Canal.

1. Darién Gap
2. Wet, tropical lowlands (other than flood plains)
3. Wet, tropical lowlands (flood plains)
4. East Andean Piedmont (upper tropical lowlands)
5. Campo Cerrado
6. Gran Chaco and Gran Pantanal
7. River Plate Drainage System
8. Río-São Paulo-Buenos Aires Axis
9. Guiana Complex

Darién Gap. The missing link in the Pan American Highway system is the 250-mile Darién Gap. It is a tropical jungle region containing a good deal of arable land but cut by rivers and mountain ranges, notably near the Panama-Colombia border. The Darién Subcommittee of the Pan American Highway Congress, together with the U.S. Bureau of Public Roads and corresponding agencies of the Colombian and Panamanian governments, have done extensive surveying of the possible routes.

The case for making the link is the following:

-- It would open considerable areas in Panama for cattle raising and other agricultural uses, as well as creating access to extensive forest resources. It might make some mineral resources accessible.

-- It would help open up the Panamanian hinterland and draw some population away from densely populated areas.

-- It would provide a land link between Central America and the northern part of South America--an objective with strong psychological and political overtones throughout the region--and permit truck traffic between Central America and the industrial centers of Colombia.

These positive aspects of completion of this link of the Pan American Highway must be weighed against the cost and be related to other "frontier" development projects. It is also important that project planning for this area include adequate disease (e.g., malaria) control measures--to be effected before construction personnel reach the field.

Wet, tropical lowlands (other than flood plains). The largest undeveloped region of South America consists of the wet, tropical lowlands of the Amazon and Orinoco river basins in Brazil and adjacent regions in Venezuela, Colombia, Peru, and Bolivia. This region is characterized by dense forest and grassy savannahs, with heavy rainfall, high temperatures, and soils of extremely low fertility.

Because of their low fertility, these areas remain virtually unused, although cropping is possible on forested lands under shifting cultivation, while cattle grazing is practiced on the savannahs at low carrying capacity.

In the very long run, it is possible that sophisticated fertilizer application and suitable soil conservation practices might render these regions productive. Moreover, permanent tree crops, like rubber, are possible where drainage problems

permit. But, for the foreseeable future, unless new minerals or other natural resources are discovered, systematic economic development of this vast region does not appear to be of high priority. Population maps of South America are likely to continue to exhibit a vast empty area for many decades, unless there is an economically desirable way of damming the rivers to convert the Amazon Basin into a vast lake.

Wet, tropical lowlands (flood plains). The Amazon River flood plains cover an area of 25 000 square miles; and the flood plains of tributary streams may add another area of similar size. The Brazilian Ministry of Agriculture is conducting exploration and research to establish whether these regions are capable of economic exploitation. The replenishment of soil nutrients through flooding suggests that rice might be economically produced in these areas, and water buffalo might be grazed on pastures resistant to periodic flooding. Although a few areas of higher ground in the zone are being successfully cultivated, much further research is required to establish whether the agricultural output from this region would justify the expensive water control measures required.

East Andean Piedmont (upper tropical lowlands). This relatively promising region consists of an interrupted strip of valleys and rolling hills in a narrow belt running along the eastern foothills of the Andes from Venezuela, through Colombia, Ecuador, Peru, and Bolivia. It is more than 3 000 miles in length and 10 to 50 miles in width; and it contains perhaps 3 million acres of arable land.

The following table roughly indicates the relative expansion in arable land involved for each of the four countries.

Arable Land and Potential Expansion in Andean Piedmont
(1 000 acres)

	Current	Andean Piedmont	Total
Colombia	12 100	750	12 850
Ecuador	2 800	150	2 950
Peru	3 300	1 200	4 500
Bolivia	7 700	900	8 600

Most of this land is forest or woodland, but there are some savannahs. On the whole, this area has adequate but moderate rainfall, better drainage and better soil fertility than the wet, tropical lowlands which adjoin it to the south and to the east.

This is the terrain the Carretera Marginal de la Selva is designed to traverse. The needed access roads are being built; settlers are moving in; but the high cost of transporting their commercial products to market remain--and will remain--a problem to be solved in the future by a mixture of road and air transport plus more efficient connections with the Amazon ports leading to the Atlantic.

The region is a good potential source of meat, dairy products, tropical foods, tobacco, tea and other cash crops. A high premium will attach to processing in the region to reduce transport costs to markets.

Campo Cerrado. A broad belt of rolling land runs south of the Amazon Basin from Mato Grosso to the São Francisco River. This vast area is covered by scrub or low forest interspersed with savannahs and includes at least 400 million acres, a large part of which is topographically and climatically suited for cultivation. However, the low fertility of the soil will require correction for nutrient deficiencies. Research (including that conducted systematically by the International

Research Institute) indicates that highly acceptable yields are possible for corn, beans, sorghum, soybeans, forage, fiber crops and cattle. At the present time, while the population is pushing into this area, it remains very sparsely settled. Massive settlement, however, must be accompanied by a sophisticated use of technical knowledge, including fertilizer application. The existing (and expandable) region from São Paulo to Porto Alegre is evidently capable of further fruitful development and should enjoy higher priority in Brazilian agricultural development in the years immediately ahead. Like the Andean piedmont, this is another major region for systematic future agricultural development in South America.

Gran Chaco and Gran Pantanal. This area includes central and northwestern Paraguay, northeastern Argentina, eastern Bolivia and the drainage system of the Paraguay River in Brazil. The Chaco is divided from the Pantanal roughly by the Paraguay River. The main difference between the two areas is drainage. Much of the Pantanal is flooded from November to April, while the Chaco is well drained and has less rainfall. Both areas have a pronounced dry season between May and September. Due to its size (perhaps 400 000 square miles) the area is important for future development, but will be costly to develop. The Pantanal will require extensive drainage works, dikes and roads. The Chaco needs irrigation, in part, before it can be intensively used. Extensive use in grain farming and improved forage production is possible without irrigation.

River Plate Drainage System. This is a large area comprising the complex of the Paraguay, Paraná and Uruguay rivers and their tributaries. It extends south from Mato Grosso province in Brazil through central and eastern Paraguay, the broader areas of Brazil and Uruguay along the Uruguay River and into northeastern Argentina (provinces of Entre Ríos and Corrientes). These waters flow into the Argentine delta area where the Uruguay and Paraguay Rivers converge to become the River Plate estuary. These rivers flow through the swamplands of the Pantanal. Not infrequently the rivers of this system reach a flood stage at which they inundate vast areas and cause grave economic damage. This occurred in March and April of 1966 in Entre Ríos, Argentina.

Parts of the river system are being studied to determine navigation potential, particularly the Paraguay River, which runs through Asunción to the delta. It could be a major transportation artery from the Brazil-Paraguay-Bolivia interior. The U.N. is financing a survey of southeastern Paraguay which will include the Paraguay and Paraná Rivers.

Power surveys have been completed and hydroelectric facilities are being constructed on Brazilian rivers which feed this system. Development of these power sites in Brazil will have an important effect on the downstream waters in Paraguay and Argentina. The Salto Grande hydroelectric project at Concordia, Argentina, which will supply power to Argentina and Uruguay, is ready for financing.

There is a growing recognition that the power, navigation and water resources of the rivers should be studied systematically and with the view that the region forms an economic unit. Study of the river system in its totality will require cooperation and agreement among the five countries involved. Development of the river system could be the basis for a multinational agreement and the establishment of a coordinating development agency.

Río-São Paulo-Buenos Aires Axis. Looking ahead to the economic integration of Latin America, the strengthening of transport links between Buenos Aires and the Brazilian industrial triangle (São Paulo, Río, Minas Gerais) makes sense. It is not too far fetched to regard that region as constituting in the future of South America a potential metropolitan strip something like that between Chicago and New York in the United States. It contains the richest agricultural area of Brazil as well as Uruguay--a country which could find its destiny as an agricultural, commercial, and industrial component of this larger complex.

One project which would probably be justified within the decade, and which would dramatize and accelerate this linkage, would be a bridge over the River Plate estuary (or over the Paraná Delta). The configuration of waterways around Buenos Aires makes roads communications between that center and the region to the north awkward. Improved ferry service across the estuary is now contemplated, but a bridge link might have major direct and indirect effects on the development of the whole southeastern sector of the continent.

Guiana Complex. One of the more important developments going forward in South America is creation in Venezuela of the industrial complex at Santo Tomé de Guayana, located in the mineral rich area at the conjunction of the Caroni and Orinoco Rivers. Santo Tomé de Guayana was a village of 4 000 in 1950; it is expected to reach a multiple of its 1966 population of 100 000 by 1975. It already includes, in addition to hydroelectric facilities, a steel mill. A joint venture with Reynolds Aluminum Company is expected for the construction of a bauxite reducing plant. Both U.S. Steel and Bethlehem Steel conduct iron operations under concession agreements. The emergence of this industrial center suggests the possibility of linkage with the Guiana region whose interior is being explored.

In broadbrush terms, then, the potential areas for further land development in South America consist of a set of possibilities for moving toward the interior in specific directions: south from the Panama Canal, east across the Andes into the long piedmont strip and west into Campo Cerrado. In addition, the irrigation, flood control, navigation and hydroelectric potential of the River Plate valley system remains to be exploited, the great urban centers of the southeast to be better linked and the Amazon flood plains and the Guiana region to be rationally developed. All these areas will require substantial expenditure of capital for transport, infrastructure, and, in some cases, for significantly increased chemical fertilizer application and water control works. They would still leave the great tropical lowland regions of the Amazon and Orinoco Rivers relatively untouched.

B. CHEMICAL FERTILIZERS

South American chemical fertilizer production relates to the development of frontier regions in two respects. First, some of the presently known chemical fertilizer resources are located in interior or otherwise undeveloped regions. Their exploitation will involve transport and other infrastructure investment, and they should serve to generate centers for wider industrial and agricultural development. Secondly, some of the frontier lands, for example, Campo Cerrado, will require the application of substantial amounts of chemical fertilizers for effective exploitation.

The expansion in South American agricultural production over recent decades has not kept up with the increasing regional demand for food. That expansion has been based mainly on the opening up of new acreage. Between 1934-48 and 1950, for example, there was only a 5 percent increase in grain yields in Latin America as a whole.

In the last few years attention to agricultural yields has been increasing in South America, as has been the consumption of chemical fertilizers. Nevertheless, it is clear that victory in the race between the continent's demand for food and population increase will have to be based on greater attention to agricultural yields in the generation ahead than in the past. As in Africa (but not in Asia) there is still unused arable land to be exploited in South America. But the mere opening up of land will not suffice.

Increased agricultural yields require improved seed and heavier application of fertilizers and pesticides. It has recently been estimated, for example, that South American expenditures on such items, which were about \$600 million in 1960, must rise to \$2.7 billion per annum in 1980 if minimum food requirements are to be met

BASIC FERTILIZER INGREDIENTS

Varying Relationships among
Latin American Production,
Local Consumption, Export and Need

Millions of Tons

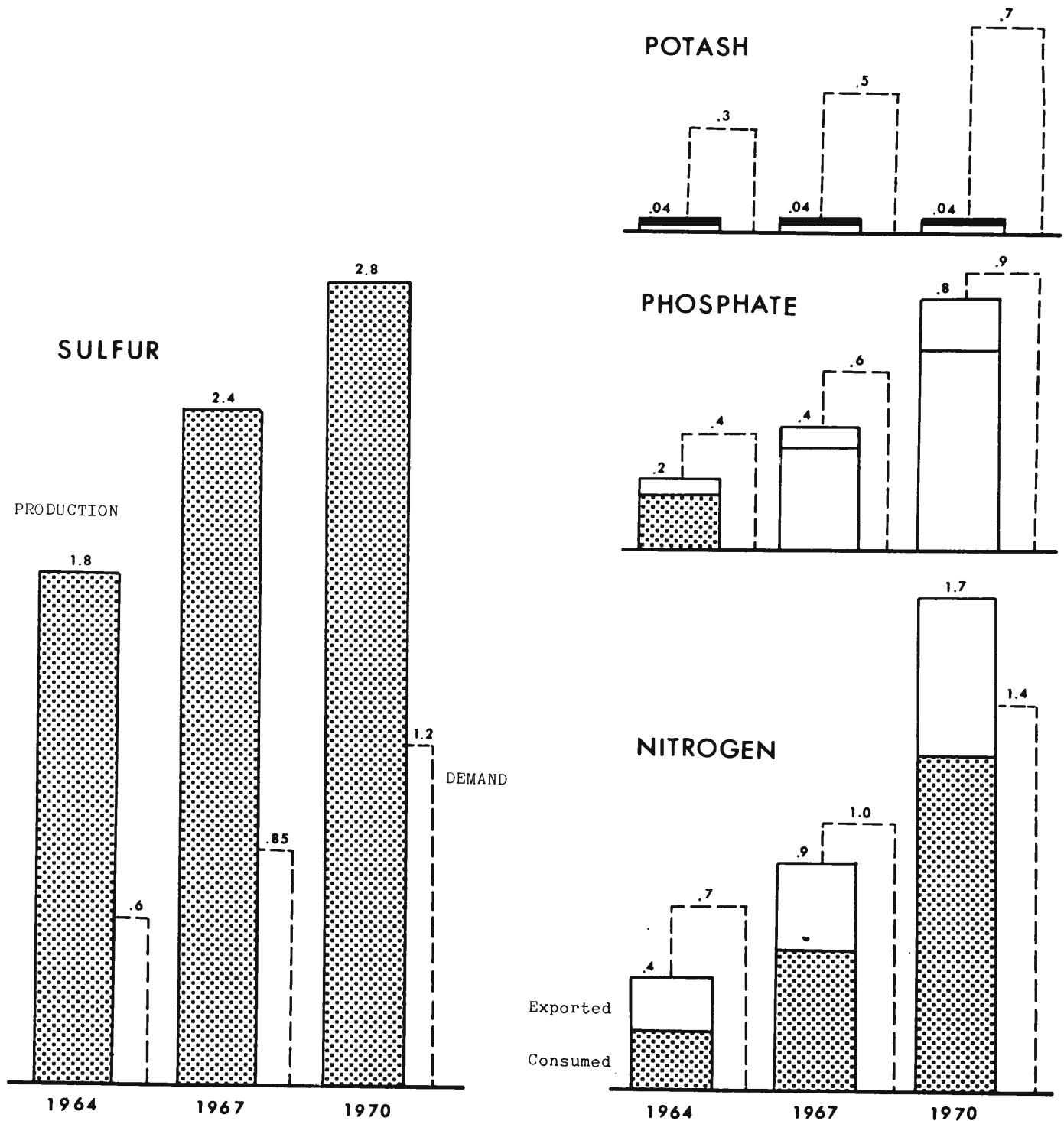


Figure 4

in the region. It has been estimated that \$1.7 billion (of the \$2.7 billion annual expenditure in 1980) could be manufactured from South American resources. To generate this increase in the continent's production of agricultural inputs, an investment of perhaps \$3 billion will be required. The substantial South American import requirements for 1980 stem from the fact that the area lacks known phosphate and potash resources in sufficient quantity to meet this expanded demand--as is detailed in Figure 4.

Chemical fertilizer production is, of course, not enough to bring about an increase in yields. It must be made available to farmers at reasonable prices in an environment that also includes fair and reliable prices for their products, relevant technical assistance, credit and incentive goods. Nevertheless (along with pesticides and good seed), chemical fertilizers are a critical factor. Major known undeveloped potentialities for fertilizer inputs are the gas fields of Venezuela, Bolivia (Sucre area) and Chile (Tierra del Fuego).

C. MINERALS

The geological resources of South America have been incompletely explored. The principal unexplored area believed to contain major mineral resources is the Andean.

Considerable work in mapping and resource exploration is under way in South America, under auspices of national and international agencies and of private companies. It is desirable, in view of the problem's scale and urgency that attention be given to adaptation of the most advanced forms of resource surveying and mapping --using aerial photography and other remote sensor techniques.

III. SOME PROJECTS IN PROGRESS OR UNDER EXAMINATION

Against this background, it is useful to examine the extent to which these potentialities are now being developed or are under serious examination. Work is going forward in South America, on broadly, rational lines; that is, it is precisely in the more promising regions that projects are being constructed, feasibility studies made, and research conducted (see Figure 6). An aspect of development potential is provided by Figure 5, which shows directions for possible future population settlement in frontier areas.

Specifically, the problems of closing the Darién Gap are being systematically surveyed.

-- A preliminary study of the Atrato-San Juan waterway is being made for the Colombia government; and the U.N. is now awaiting a formal proposal for the government of Colombia for financing a feasibility study of a multiple-purpose project.

-- Work and systematic consultation have been organized among the governments of Colombia, Ecuador and Bolivia with respect to the Carretera Marginal de la Selva.

-- Extensive research and colonization efforts (planned and unplanned) are going forward with respect to the exploitation of the Campo Cerrado region of Brazil and Paraguay.

-- The Guiana region is an active account in terms of the creation of a new, vital industrial center in Venezuela as well as study and exploration.

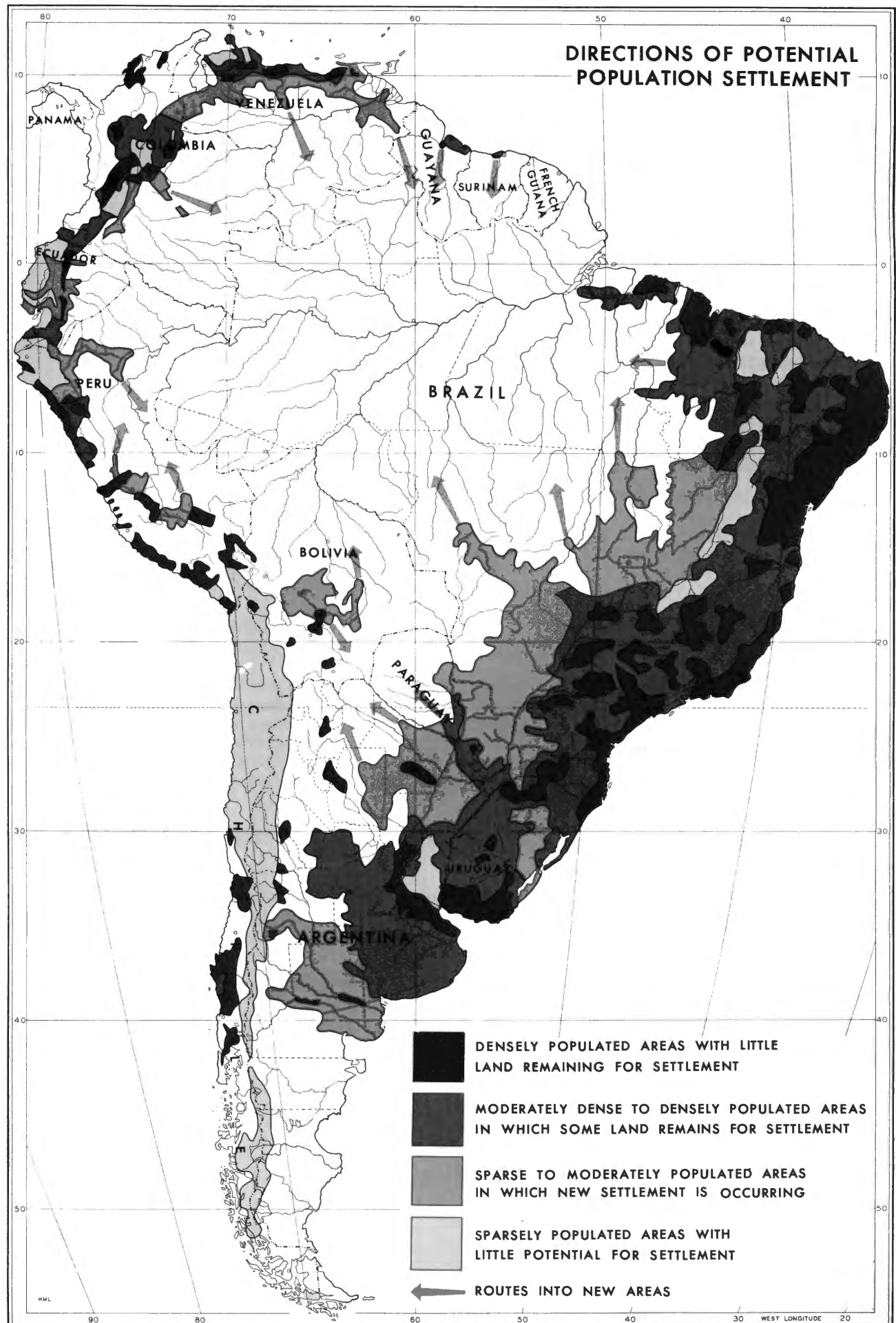


Figure 5

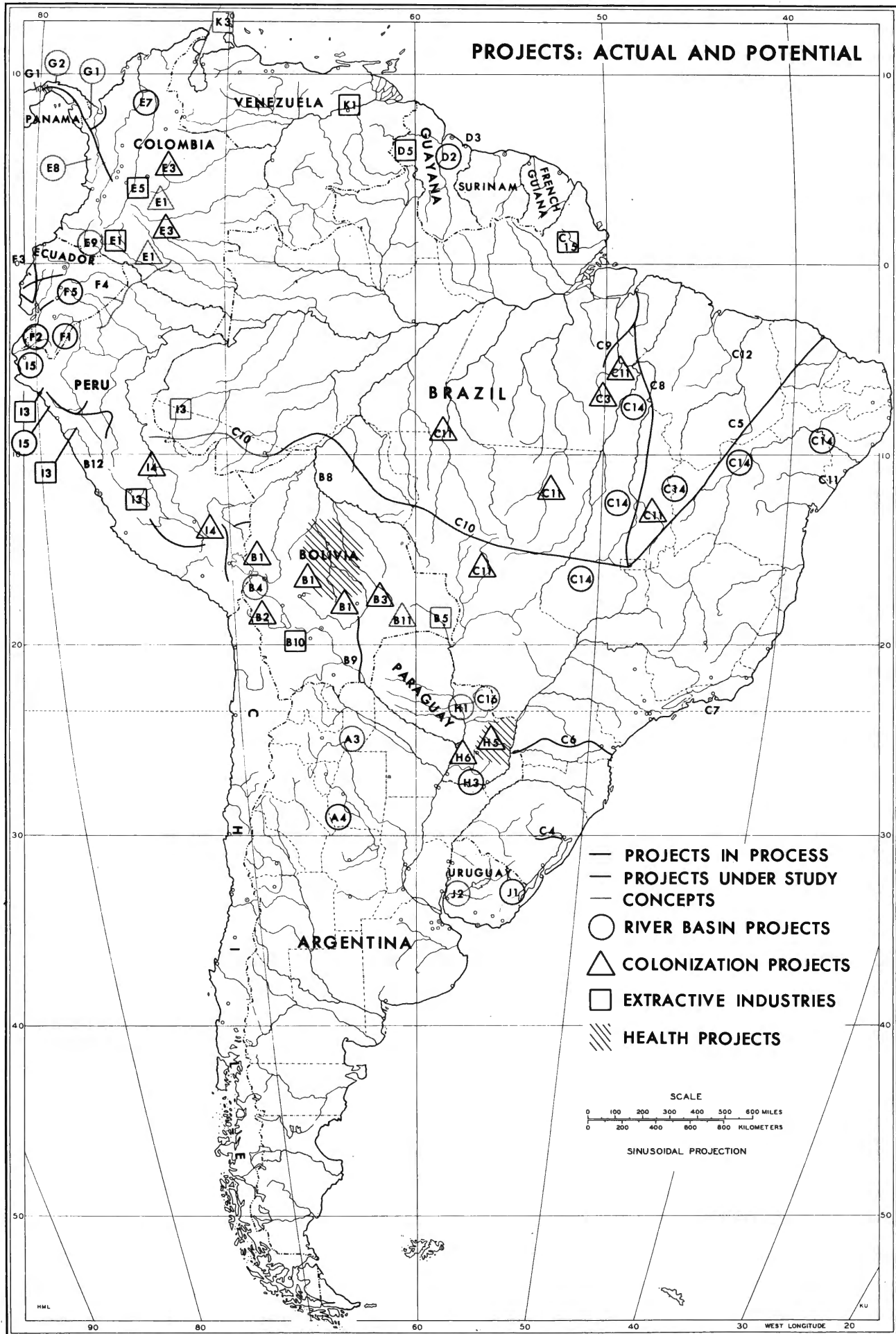


Figure 6

APPENDIX

Selected List of Projects, Actual and Potential

	<u>Number*</u>
A. <u>Argentina</u>	
Colonization	A-1
Airport Development	A-2
Río Bermejo Development Project	A-3
Río Dulce Project	A-4
Eastern Seaboard Megalopolis - Río to Buenos Aires.	A-5
B. <u>Bolivia</u>	
Colonization of the Interior	B-1
Alto Beni Colonization	B-2
Okinawan Colonies	B-3
Lake Titicaca Development	B-4
Mutún Iron Ore Deposits Development	B-5
Malaria Eradication Program	B-6
Hemorrhagic Fever Control	B-7
Riberalta-Guayaquerín Road	B-8
Feasibility Studies	B-9
Mineral Survey and Geology Training	B-10
Abapó Irrigation Project	B-11
Carretera Marginal	B-12
C. <u>Brazil</u>	
Agrarian Reform and Frontier Development	C-1
Education for Rural Development	C-2
Agricultural Outpost Colony	C-3
Río Grande do Sul North Production Road	C-4
Fortaleza-Brasília Highway	C-5
Paranáguá-Foz do Iguaçu Highway	C-6
Rio-Salvador Coastal Highway	C-7
Belém-Brasília Highway	C-8
Frontier and Penetration Roads in the State of Pará	C-9
Brasília-Acre-Peruvian Border Highway	C-10
Work Fronts	C-11
Boa Esperança Dam	C-12
Frontier Activities	C-13,14,15
Sete Quedas Hydroelectric Project	C-16
D. <u>Guiana</u>	
Air Transport (Feasibility Study)	D-1
Berbice River Harbor	D-2
Penetration Roads to the Interior	D-3
Savannah Soils Investigation	D-4
Mineral Resources Development	D-5
Aerial Geophysical Survey	D-6
Forest Industries Development Study	D-7
Atkinson-MacKenzie Road	D-8

*See Figure 6.

	<u>Number*</u>
E. <u>Colombia</u>	
Potential Colonization Projects	E-1
Basic Resources Survey	E-2
Land Settlement and Improved Land Use and Tenure	E-3
National Territories Air Navigation Service (SATENA)	E-4
Mineral Resources Survey	E-5
Potential Feasibility Studies	E-6
Prefeasibility and Feasibility Studies	E-7
Atrato-San Juan Waterway	E-8
Colombian-Ecuadorian Economic Integration of Frontier Areas . .	E-9
F. <u>Ecuador</u>	
Upano River Valley Development	F-1
Arenillas Irrigation Project	F-2
Consortium Highway Program	F-3
Penetration Roads to Amazon Headwaters Area	F-4
Development of Guayas River Basin	F-5
G. <u>Panama-Colombia</u>	
Pan American Highway - Darién Gap	G-1
Isthmian Sea Level Canal	G-2
H. <u>Paraguay</u>	
Navigation Study of the Paraguay River South of Asunción . . .	H-1
Malaria Eradication	H-2
Aripé Hydroelectric and Navigation Project	H-3
Road Construction and Maintenance Training (Farm-to-Market Roads)	H-4
Colonization	H-5
U.N. Special Fund Survey of "Triangle" Area	H-6
I. <u>Peru</u>	
Highways	I-1
Air Access to the Frontier	I-2
Private Sector Development	I-3
Colonization in East Andes	I-4
Irrigation Development	I-5
Carretera Marginal	I-6
J. <u>Uruguay</u>	
Development of the Laguna Merín Basin	J-1
El Palmar Hydroelectric Project	J-2
K. <u>Venezuela</u>	
Industrialization of Southeast Venezuela	K-1
Agrarian Reform Program	K-2
Inter-American Gas Pipeline	K-3

*See Figure 6.



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~~CONFIDENTIAL~~
DEPARTMENT OF STATE

Washington, D.C. 20520

March 25, 1968

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1 - Brazil
2 - Pet.

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MEMORANDUM FOR MR. WALT W. ROSTOW
THE WHITE HOUSE

SUBJECT: Progress Report on Frontiers of South America

There is enclosed the third six-months Progress Report on Frontiers of South America requested in NSAM No. 349 of May 31, 1966.

for *Alan Parker*
Benjamin H. Read
Executive Secretary

Enclosure:

Progress Report.

DECLASSIFIED
E.O. 12356, Sec. 3.4
NJ 93-347
By ing, NARA, Date 3-3-94

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not automatically declassified.

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PROGRESS REPORT OF NATIONAL SECURITY ACTION
MEMORANDUM No. 349, May 31, 1966
"FRONTIERS OF SOUTH AMERICA"

I. Summary

The concept of integrated physical development as a means to facilitate the economic integration of Latin America continues to receive attention by the Inter-American institutions. There has been substantial progress in providing funds for feasibility studies and in establishing financial sources for multinational programs. Physical accomplishments on projects underway, however, have been limited during the period considered by this report.

At the Summit Meeting last April, the Presidents agreed that additional resources should be provided to the Inter-American Development Bank (IDB) in order to finance multinational infrastructure projects which "will lay the physical foundations for Latin American economic integration." The United States expects to increase its contribution from \$250 million to \$300 million a year in 1968, 1969, and 1970; and the Latin members of the IDB expect to contribute \$100 million a year, rather than \$50 million. The U. S. Congress has authorized the total \$900 million contribution and has appropriated the first allocation of \$300 million. The IDB plans to invest a minimum of \$300 million in multinational projects during the 1968-1970 period.

The Inter-American Cultural Council at a recent meeting in Maracay, Venezuela, endorsed new multinational programs in education, science, and technology totaling \$25 million. The Council also agreed to a reorganization to be able to implement more effectively objectives set forth at the April Summit Meeting.

The Organization of American States and IDB have contributed funds to preliminary studies for River Plate Basin development, but contemplated UNDP funds have not yet been made available. Ex-Im Bank provided a credit of \$2.4 million to Brazil for U. S. equipment for an earth satellite receiving station. Member countries of the Andean Corporation have agreed to contribute \$25 million to finance multilateral projects.

II. Progress of Inter-American Institutions

Inter-American Development Bank (IDB)

The Bank has taken a leading role in developing studies and financing multinational projects. With the increased appropriation from the U. S. to the Fund for Special Operations, the Bank had set as its goal the financing of \$300 million in multinational projects by 1970. It is estimated that about

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- 2 -

\$70 million will be allocated to such projects this year. One of the problems encountered by the Bank has been the lack of sound and bankable projects. New projects, however, should be forthcoming as a result of the feasibility studies now being made through the IDB's Pre-Investment Fund for Latin American Integration. As of December 1967, over \$2 million dollars in loans and grants had been committed for studies by the IDB. The U. S. made a second contribution of \$2 million to the Pre-Investment Fund in December 1967 from the Social Progress Trust Fund. A list of the projects financed in 1967 and proposed projects to be financed in 1968 is attached as Annex A.

The IDB has underway a study concerning the judicial and institutional problems that must be solved in making loans to two or three borrowers with joint responsibilities. The question of providing credit to more than one country for multinational projects has posed a problem and handicaps investment in inter-regional programs. An exception is the Central American area. In September 1967 the IDB approved a loan of \$10 million to the Central American Bank for Economic Integration to help finance industrial projects of regional interest.

CIAP

Although it has agreed to do so, CIAP has not made recommendations concerning the priorities of the IDB work program of Pre-Investment Fund. IDB President Herrera submitted a revised work program to the 14th CIAP meeting held in January. At this meeting, CIAP agreed that each member would study the work program and submit his recommendations to Chairman Sanz as soon as convenient. These views will be discussed at the 15th meeting of CIAP tentatively scheduled for April 1968. It is hoped that priorities for the IDB program will be recommended by CIAP to the Sixth Annual IA-ECOSOC meeting in June 1968.

A working group of governmental experts to study the financing of Latin American integration meeting under the auspices of CIAP in Washington in February and March, also discussed multinational projects. Among other things, it recommends an expansion study program to intensify and prepare such projects.

The CIAP secretariat has agreed to complete within the next two weeks the duplication and distribution to South American countries and the AID Missions of the Frontiers Study.

OAS

At a meeting in Maracay, Venezuela, in February 1968, the Inter-American Cultural Council of the OAS agreed to an internal reorganization that would increase its emphases on education, science and technology. Proposals for broad new programs in these fields were endorsed which totaled \$25 million (\$15 million for joint efforts in science and technology and \$10 million for education). These moves were sparked especially by the April 1967 Summit

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- 3 -

Meeting, and the resulting high purposes stated in the Declaration of the Presidents, as related to education, science and culture.

Hopes are that the Council (now known as Inter-American Council for Education, Science and Culture) will play a more vital role than it did previously in encouraging joint efforts to further regional development and integration. A crucial factor will be actual financing of the programs.

Based on a total \$25 million program goal, the U. S. contribution could total up to \$16.5 million for the program period March 1968 to June 30, 1969, subject to Congressional Appropriation. The U. S. will make available up to \$3.2 million from FY 1968 funds based on Latin pledges.

III. Projects

Chemical Fertilizer

A two-week seminar was held for fertilizer executives in Latin America at the National Fertilizer Development Center in which 17 participants took part. One of the topics brought up was the possibility of establishing a regional fertilizer trade association. This topic will be further discussed at a follow-up seminar to be held in Latin America.

A report will be made available to participants of the fertilizer work group of CIAP within the next two months which summarizes the results of the AID/CIAP questionnaire sent to all Latin American countries. This report will include information on country activities and those of international assistance programs in fertilizer technology, an assessment of the demand and supply situation of fertilizers in each country, as well as names, and capacities, of the nature of fertilizer industries in Latin America.

Carretera Marginal de la Selva

The current concern with this significant multinational project is to insure that highway segments constructed in the selva area are aligned in some manner to an international route. Work on sections of road that might be so aligned is proceeding in Peru, and to a limited extent, in Bolivia.

Pre-Investment studies for a number of portions of the highway system have been completed. Others could be completed by the end of 1968. Some sections are already known to be of high priority and are under construction by the interested countries. Feasibility studies available permit the following cost estimates:

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Peru

- a. San Alejandro-Villa Rica,
285 km. - \$47 million
- b. Rio Chanchamayo-Satipo,
100 km. - \$12 million
- c. San Ignacio-Jaen,
101 km. - \$10 million

Ecuador

Improvements of connections to
the Carretera, \$4 million

Other sections of the Carretera are known to be included in the highway plans of the several countries. Feasibility studies for these roads can be completed in six to nine months. Thus, the cost of high priority projects for various sections of the Carretera network, through 1972, could range from \$100 to \$300 million.

Campo Cerrado

Evidence continues to indicate that implementation of land tax reforms, begun in 1966, has stimulated increased utilization of land, especially by large landholders, as well as sale of property not previously used. The Government of Brazil's newest efforts are in the field of soil research in Mato Grosso, and an A.I.D.-financed loan has been proposed to finance agricultural research in this area. The low soil fertility of the Campo Cerrado region has in part limited agricultural production. To encourage fertilizer use, the Government of Brazil has subsidized, since 1966, borrowing cost of loans sought by farmers from the fertilizer loan fund of the Coordenacao Nacional de Credito Rural. (These funds are, in part, local currency generated by A.I.D. fertilizer loans.)

Multinational Projects to Facilitate Political and Economic Cooperation

1. No new initiatives have yet been taken by Ecuador or Peru on the Tumbes River Valley program, due to poor relations between the two countries. However, they have recently exchanged diplomatic representatives once again, which makes possible future negotiations.
2. The Andean Development Corporation, established in February 1968, was given impetus by the Little Summit Meeting sponsored by President Lleras in August 1966. This corporation, designed to serve as an investment bank for its sub-regional members (Venezuela, Peru, Ecuador, Colombia, Bolivia and Chile) and to encourage industrial complementarity, will establish its headquarters in Caracas. Member countries have agreed to subscribe \$25 million in working capital; a total capitalization of \$100 million is authorized.

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3. The Governments of Peru and Bolivia have requested financing from the IDB Pre-Investment Fund to defray costs of feasibility studies and final designs for a highway from Bolivia to the Pacific. The route would connect La Paz with the Peruvian port Ilo, through Desaguadero in the Lake Titicaca area. The IBRD transportation survey of Bolivia, which included an analysis of a Bolivia-to-the-Pacific road, has been completed; and a report will be published in early summer 1968.

Telecommunications

The Page Survey recommended a 10-year, \$2.6 billion effort to raise telecommunications systems to acceptable standards in ten South American countries: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela. The study suggests an additional investment of \$50 million to provide seven of these countries with communications satellite earth stations which would eventually link their national systems to INTELSAT space facilities for intra-regional and overseas communications. This system would complement the "terrestrial" network of wire, cable, high-frequency and wide-band radio facilities now in existence, or to be expanded, as outlined in a plan for the development of the Inter-American Telecommunications Network (ITN), approved in 1965 by the International Telecommunications Union, and later ratified by the Inter-American Telecommunications Commission (CITEL).

As a prerequisite to overhauling South American communications, the report recommends that detailed surveys be made in each of the ten countries to establish financial and administrative policies concerning rates, plant modernization, planning and cost control.

At the second meeting of CITEL, in October 1966, discussions were held as to how the Bank could best assist with the development of the ITN. At this meeting CITEL adopted a resolution asking the IDB, through the Pre-Investment Fund, to examine the possibility of organizing and directing the studies necessary to prepare for the ITN, with the understanding that those studies would recommend the most modern techniques in the field of telecommunications. The Resolution also recommended that the Bank obtain the cooperation of the interested countries through CITEL. In response to this the Bank has prepared a plan of operations to participate in the development of the first phase of the Inter-American Telecommunications Network. This will consist of a viability study and the preparation of technical recommendations and specifications for the standardization of the requirements of the network. The UNDP has agreed to collaborate in this study and the Bank has asked them to provide \$1.0 million to finance it.

Plans for nine earth stations are in varying degrees of development. Ex-Im Bank has authorized a \$2.4 million credit in Brazil and a \$5.36 million credit in Chile. Hughes Aircraft received the Brazilian contract and GT&E the contract in Chile. An Italian consortium has been awarded a contract in Argentina. A Mexican station is under construction by Japanese interests.

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- 6 -

Similarly, Nippon Electric is proceeding with a project in Peru. Work is proceeding on a station in Panama under a contract with Page. Although no final decisions have been announced, Colombia, Ecuador and Venezuela each hope to have an earth station, probably in the 1969 timeframe.

Cooperative Research Programs on Earth Resources Surveys by Remote Sensing

Following the visit to Brazil and Mexico last spring of an inter-agency U. S. team, NASA worked out a memorandum of understanding with the space commission in each of the two countries for cooperative research programs to develop techniques and systems for obtaining and using earth resources data from aircraft. These agency-level agreements are to be confirmed through bilateral exchanges of diplomatic notes, which are now awaiting final, formal approval by Brazil and Mexico. Meanwhile, the first (training) phase of the program was initiated informally on February 8 at the Manned Spacecraft Center in Houston, with the participation of Brazilian and Mexican teams.

These programs, the first cooperative international research projects of this type, are designed to develop techniques for acquiring, interpreting, and using data to provide scientific and technical experience which would be useful in the development of earth resource survey techniques and to familiarize personnel with the reduction and analysis of remote sensor data. (The programs will utilize instrumented aircraft; although they look toward the potential utility of spacecraft applications, there is as yet no certainty as to the probable dates of such applications.)

Darien Gap

The linking of North and South America by closing the Darien Gap in the Pan American highway system has symbolic significance as well as important implications for the economic integration of the region. However, two principal issues in the closing of the gap remain unresolved. These are (1) the route to be selected through Colombia and (2) the financing of construction. The route issue stems from the Colombia Law 121 of December 1959 which designated the Choco route along the Pacific coast as the Pan American Highway route, entailing 421 kilometers of construction at an estimated cost of \$200 million. The alternate Atrato route would require new construction of only 98 kilometers at a cost of about \$48 million. While President Lleras is receptive to proceeding with the Atrato route, internal Colombian political factors have thus far prevented any official word from the Government of Colombia on route selection. Necessary surveys for Panama section of the highway have been completed indicating construction of approximately 320 kilometers at an estimated \$100 million.

At the Tenth Pan American Highway Congress held in Montevideo in December 1967, the U. S. joined in expressing support of the eventual closing of the Darien

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- 7 -

Gap, though no specific offers were made for the funding of projects for completion. The Governments of Panama and Colombia were encouraged to initiate action to determine the priority of Darien Gap-related projects and to suggest means of financing them. When the priority issue has been resolved by the countries concerned, requests for financial assistance may be forthcoming.

River Plate Valley Development

Development of the River Plate watershed, potentially affecting five nations, has been projected on the basis of preliminary consultations into three stages. Stage One is to be a general study of the region, identifying projects of common interest. Stage Two would begin feasibility, preinvestment or engineering studies for specific projects decided upon. Stage Three would relate to actual implementation of the projects. The entire program is a long-range one, and though efforts made at coordination so far have brought about general understanding of the problems, detailed coordination on work and scope of programs remains undone.

The OAS, IDB and UNDP have indicated interest in contributing resources for preliminary studies. The OAS-financed first year plan for the region is to be completed in mid-1968. The Foreign Ministers defined fields for further study for the basin at their February 1967 meeting, and requested assistance from the IDB for preliminary analysis.

The IDB, which has been a catalyst in working for cooperation from other financing institutions and the riparian countries, authorized in June 1967 a grant of \$250,000 for a preliminary study of basin integration. However, the related input of the UNDP was withdrawn from further consideration at the January meeting of the UNDP Governing Council, until such time as all the countries concerned approve the project. Current lack of agreement stems in part from uncertainty over the role of INTAL, an Argentine-dominated institute, particularly on the part of the Government of Brazil.

Compounding these institutional problems is the factor of seriously limited finances. The River Plate Basin Development program is very large in scope, as well as long term, and present commitments remain small in comparison to needs.

The Preliminary study proposed does not, of course, preclude immediate materialization of special related projects. A project consistent with the goals of basin development (hydroelectric development in the Acaray, now financed in part by an IDB loan) was begun before any real initiatives had been taken towards an integrated program for the basin. Additionally, the Government of Argentina is proposing a project to control the severe silting, caused by earth moving from Brazil and Paraguay downriver to Argentina, requiring costly dredging.

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- 8 -

V. Current Problem Areas

The problem areas discussed in the last Progress Report remain largely unresolved. The lack of inter-governmental agreements to implement jointly multinational projects and the lack of action on the part of CIAP to establish priorities of the IDB Pre-Investment Work Programs are reemphasized as particular obstacles to progress. It would appear that a larger role for CIAP than it now plays could include the request that CIAP undertake to appraise and report periodically, perhaps semi-annually, on progress in the physical integration of Latin America. Such an action should encourage Latin interest in physical integration and provide the U. S. and others with comprehensive reports of progress.

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ANNEX A

Projects financed in 1967 by the IDB Pre-Investment Fund include:

1. Study on the possibility of developing an integrated air cargo service for Colombia, Venezuela, Ecuador, Peru, Chile, Bolivia and Argentina.
2. Feasibility study on space and ground telecommunications for South America. (Finished - Done by Page Communications Engineers, Inc.)
3. Study of the Inter-American Telecommunications Network. (Financing will also come from the UNDP and individual countries.)
4. Preliminary study on the integrated development of the River Plate Basin. (Financing will also come from the UNDP, the OAS and the countries involved.)
5. Study on Colombian-Ecuadorian border integration.
6. Study on Argentine-Chilean border integration.
7. Studies on industrial activities or regional scope in Central America. (Financing will also come from ICATTI.)
8. Study on the economic integration of the agricultural sector in Latin America.
9. Feasibility of the second stage of the Acaray hydro-electric project which will provide electricity for Paraguay, Brazil and Argentina. (Loan to Paraguay.)

Projects to be financed in 1968 include:

1. Project identification and feasibility studies in the field of regional transport.
2. Preliminary and feasibility studies for the interconnection of various electric systems.
3. Feasibility study for the Inter-American Telecommunications Network.
4. Continuation and expansion of border integration studies.
5. Studies to orient scientific and technological development, the transference and adaptation of modern technology, and the organization of studies in these fields on a regional basis.

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Scenario for Promoting Latin American Physical Integration

1958

By April 1 -

Obtain the President's concurrence to proposing in a Hemisphere or Pan American Day speech establishment of a task force to develop a plan and establish priorities for the physical integration of Latin America. (See Tab A for statement of proposal.)

By April 3 -

Discuss with CIAP Chairman Sanz de Santamaria and IDB President Felipe Herrera their taking the initiative to establish the task force soon after the President makes his proposal. (See Tab B for possible composition and terms of reference of the Task Force).

By April 3 -

Inform the governments of Mexico, Brazil, Argentina, Chile, Peru, Colombia and Venezuela of the President's proposal and solicit their views.

April 6
or 14 -

President makes the proposal.

April 22 -

CIAP Chairman Sanz and IDB President Herrera announce composition of task force during IDB Board of Governors' meeting. Secretary Fowler seeks IDB support of the Task Force initiative.

April 29 -

Ambassador Linowitz at CIAP meeting explains financial support USG is prepared to give to the project.

May 1 -

Task Force meets to discuss plan of work and appoint staff.

June 1
- 7 -

Task force meets to review and approve master plan for study of infrastructure projects.

June 8 -

CIAP Chairman Sanz, IDB President Herrera and Task Force hold press conference to announce master plan.

Call on the President to brief him on the Master Plan.

President offers them an aircraft to visit inner frontier areas, discuss plan with governments and obtain maximum publicity.

1969

By (?) -

Submit to IA-ECOSOC results of all studies with recommendations on priorities.

Attachments

Tab A - Statement of Proposal.

Tab B - Possible composition and terms of reference of task force.

Tab A

Proposed Statement by the President

I propose that a task force, under the leadership of an eminent Latin American assisted by outstanding Hemispheric professional economists, development planners, and engineers, be organized to prepare a plan for a five-year program for carrying forward the physical integration of Latin America.

Once completed and adopted, the plan would be an expression of the agreed priorities in the task of achieving the physical integration of Latin America. It would be a valuable guide, not only to the Inter-American Development Bank and the other financial institutions in considering applications for financing development projects, but also to governments in planning their national investment programs.

Given the interests and responsibilities of Inter-American Development Bank (IDB), the Inter-American Committee of the Alliance for Progress (CIAP) and the Inter-American Economic and Social Council (IA-ECOSOC) under the Alliance for Progress, I am instructing my representatives in these bodies to advance this proposal.

Composition and Terms of Reference
of CIAP Task Force for Latin America Physical Integration

Composition

Chairman - Raul Saez.

Members - Felipe Herrera - IADB.
Carlos Manuel Castillo - CACM.
(Costa Rica)
Gustavo Magarinos - LAFTA.
(Uruguay)
Covey Oliver - Coordinator, AFP.
(expert in roads)
(expert in communications)
(expert in electric power)
(expert in transportation)
(expert in petroleum and
natural gas)
Gerry Alter - World Bank.
Roberto Huertematte - UNDP.

Secretary -

Terms of Reference

THE WHITE HOUSE
WASHINGTON

~~Confidential~~ July 3, 1967

NOTE TO WALT ROSTOW

Walt -

This is the second progress report on the
"Frontiers of South America" study.

Outside of satellite communications and
the Acaray power plant, they have little
to report.

What emerges loud and clear is that more
dynamic leadership is required in the mul-
tinationa! project field and CIAP -- the
logical body to provide it -- has not done
so.

I will speak to Sol Linowitz about this.

WGB
WGBowdler

Attachment

7/2/67 Read-Rostow
with attached progress
report on "Frontiers".

DECLASSIFIED

E.O. 12356, Sec. 3.4

NIJ 93-372

By cls, NARA, Date 5-22-95

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Please
do. This
is slow
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done



S/S 11453

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DEPARTMENT OF STATE
Washington, D.C. 20520

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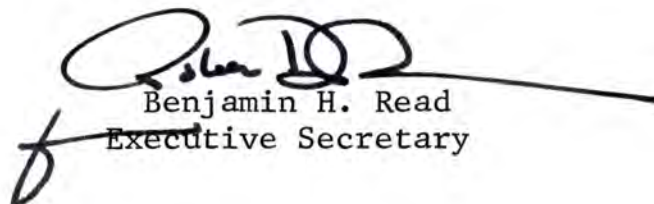
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July 2, 1967

MEMORANDUM FOR MR. WALT W. ROSTOW
THE WHITE HOUSE

SUBJECT: Progress Report on Frontiers of South America

There is enclosed the second six-months Progress Report on Frontiers of South America requested in NSAM No. 349 of May 31, 1966.


Benjamin H. Read
Executive Secretary

Enclosure:

Progress Report

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Declassified following removal of
classified enclosure.

RECEIVED
ROSTOW'S OFFICE

1967 JUL 3 AM 9 47

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PROGRESS REPORT ON NATIONAL SECURITY ACTION
MEMORANDUM No. 349, May 31, 1966,
"FRONTIERS OF SOUTH AMERICA"

DECLASSIFIED

E.O. 12356, Sec. 3.4

NEJ 93-347

By ing, NARA, Date 3-3-94

I. Summary

The meeting of American Presidents at Punta del Este, April 12-14, provided decisions of far-reaching importance for the program outlined by the study "Frontiers of South America". It is now up to the Inter-American Economic and Social Council (IA-ECOSOC), the Inter-American Committee for the Alliance for Progress (CIAP), the Inter-American Development Bank (IDB), and other international organizations, as well as the Latin American countries themselves, to take the actions necessary to make the Presidential decisions a reality. CIAP as the "board of directors" and coordinator of the Alliance for Progress should assume leadership. But IDB has the major responsibility for feasibility studies and the countries themselves must negotiate the necessary inter-governmental agreements. Initial steps have been taken by the United States to provide the IDB with additional funds for financing multinational projects once they are ready. The IDB Preinvestment Fund may require further contributions fairly soon for an enlarged program of feasibility studies.

Of the projects for South America, which were endorsed by the Presidents, significant progress has been made on arrangements and studies for the coordinated development of the River Plate basin. Advancement of the Darien Gap, however, is impeded by Colombia's failure to modify its position in favor of the more advantageous Atrato route. The Latin American telecommunications network, the multinational project for which feasibility studies are most advanced, showed further progress and may soon be ready to take advantage of President Johnson's offer of Eximbank financing. Peru and Bolivia, and Ecuador and Colombia, have begun discussions on projects in their respective border areas.

II. Meeting of American Presidents

At the Summit, the Presidents took decisive action toward opening up the hinterland of South America. This move was part of the integration program for all of Latin America for which the

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Group 3

Downgraded at 12-year intervals;
not automatically declassified.

Presidents affirmed: "We will lay the physical foundations for Latin American economic integration through multinational projects." In their Action Program, the Presidents adopted the following decisions affecting South America for immediate implementation:

- a) "To complete the studies and conclude the agreements necessary to accelerate the construction of an inter-American telecommunications network.
- b) "To expedite the agreements necessary to complete the Pan American Highway.
- c) "To accelerate the construction of the Bolivarian Highway (Carretera Marginal de la Selva) and its junction with the Trans-Chaco Highway.
- d) "To sponsor studies for preparing joint projects in connection with watersheds, such as the studies commenced on the development of the River Plate basin..."

In addition, the Presidents decided:

"To mobilize, within and outside the hemisphere, resources in addition to those that will continue to be placed at the disposal of the countries to support national economic development programs, such resources to be devoted especially to the implementation of multinational infrastructure projects that can represent important advances in the Latin American economic integration process. In this regard, the IDB should have additional resources in order to participate actively in the attainment of this objective."

The Presidents quite understandably did not refer to the amounts of money needed for the projects which they endorsed. In all cases, studies in greater depth are needed to ascertain cost as well as feasibility. Since feasibility studies are apt to constitute the most immediate financial needs, the Presidents agreed

"To allocate sufficient resources to the Preinvestment Fund for Latin American Integration of the IDB for conducting studies that will make it possible to identify and prepare multinational projects in all fields that may be of importance in promoting regional integration."

III. Progress of Inter-American Institutions

Inter-American Development Bank (IDB)

The IDB submitted its "First Work Program for the Preinvestment Fund" to CIAP at the latter's 11th Meeting, March 27-31, 1967, but CIAP postponed its consideration of relative priorities until its 12th Meeting, June 13-14, at Vina del Mar. Meanwhile, the Presidents, as noted above, decided some of the priorities, including the inter-American telecommunications network, the Darien Gap, the Bolivarian Highway and the River Plate basin development. The IDB and CIAP will now have to re-examine the IDB "Work Program" in the light of these decisions and make the necessary redistribution of funds for feasibility studies.

CIAP

In connection with the 5th IA-ECOSOC Meeting at Vina del Mar, June 15-24, the U.S. Government is considering a proposal whereby CIAP will hold special reviews for the purpose of accelerating the realization of the multinational projects endorsed by the Presidents. These meetings, in the pattern of the country reviews, would be held in Panama for telecommunications, in Lima for the Bolivarian Highway, Bogota for the Darien Gap, and Asuncion for the River Plate basin development. Not only would such meetings dramatize the projects but they would tend to force the interested parties to review the status of agreements and feasibility studies, identify obstacles, and ascertain the relative priority of the multinational projects in the time sequence of the development of the adjacent countries, of the common market, and of the region as a whole.

||| The CIAP Secretariat is nearing completion of the preparation of the Frontiers study for distribution to South American countries. The long delay has been due to reproduction difficulties with certain exhibits in the study. AID hopes to receive copies of this same document for distribution to its missions.

||| CIAP has not yet made recommendations concerning the Lilienthal Report, or any of the IDB draft work programs for the Preinvestment Fund, nor has it developed a method for systematic follow-up on the preparations for multinational projects. If the special CIAP meetings on the multinational projects endorsed by the Presidents are undertaken, more thorough attention to regular reports on status should follow.

IA-ECOSOC

As noted previously, the 5th IA-ECOSOC Meeting includes in its agenda multinational projects which will be part of a program of follow-up on the Summit decisions. It is anticipated that the governments will decide to accelerate the negotiation of inter-governmental agreements and instruct CIAP to assume leadership in the coordination of efforts to bring to fruition the multinational projects endorsed by the Presidents. There continues to be great interest among the Latins in the large, dramatic multinational infrastructure projects, but at this time they may place more emphasis on the availability of external finance than on the indispensable local efforts.

IV. ProjectsDarien Gap

Unlike a number of other multinational projects, the Darien Gap has occupied Latin American attention for a long time. Nevertheless, the Summit decision should spur the countries most concerned to move ahead more rapidly.

The two principal issues which remain to be resolved in extending the Pan American Highway through the Darien Gap section of Colombia are (1) the route to be selected for construction and (2) the financing. The route issue stems from the Colombia Law 121 of December 1959, which designated the Choco route along the Pacific coast. The alternative Atrato route is shorter and less costly but does not now have Colombia's agreement. The United States took the initiative prior to the Summit Meeting to urge Colombia to make a joint announcement (U.S., Colombia, Panama) for studies of the Atrato route and of the intention to seek financing via international agencies. Although he indicated personal interest, President Lleras did not concur with the timing, on the grounds that the risk of a premature announcement would stir up political and regional opposition, which believed the Choco route had been settled.

Since the Summit Meeting, the Chairman of the Permanent Executive Committee of the Pan American Highway Congress, has concerned himself closely with the current situation and is expected to bring pressure on the Colombians for resolution of the route selection matter. If the problem is not soon decided, a special CIAP review of the project might be helpful in bringing about a decision.

It is believed that the United States should continue to press for a systematic study of the relations among all of the elements involved in the Darien Gap problem: Panamanian development (including the Bayano Project); the new Canal; the proposed Atrato-San Juan Waterway; Colombian development; the Pan American Highway; and more recently, the Caribbean Circuit. No further study, beyond that of the Hudson Institute, has yet been made on the Atrato-San Juan Waterway. As noted in the last Progress Report, the Hudson Institute study was not in sufficient depth to make the necessary decisions.

Bolivarian Highway (Carretera Marginal de la Selva)

The last significant development regarding this project during the past six months was the Presidents' decision to accelerate its construction. Though work is known to be proceeding on several segments of the Highway, there is no recent report reflecting the specific mileage added.

*Why
didn't
they ask
the Embassy?*

Campo Cerrado

The National Agrarian Reform Agency (IBRA) has completed a country-wide Cadastral Survey covering all land holdings, including the Campo Cerrado. New tax rates have been assessed, progressive with size of farm and regressive with intensity of use, which are designed to stimulate better land use or sale. Tax collections, which began in October 1966, have already stimulated significant development efforts by large landholders and some sale of property not previously in use. The taxing system is being further improved with better information on land use and identification of lands belonging to state and federal governments. One large prototype project using modern technology for boundary identification and demarcation is in the final planning stages.

The Ministry of Agriculture has initiated the second phase of a national land resources survey with the selection of an area in Mato Grosso for more detailed soil surveys. From this it is securing needed information regarding land capabilities for future development of agriculture in the area. Land distribution and settlement programs in this area have just begun. A federal government subsidy in the form of interest-free agricultural credit for the purchase of fertilizer when used on food and grain crops was initiated in late 1966. This measure should have an important effect on fertilizer use which in turn should increase land under cultivation as well as production for the 1967-1968 crop year in the Campo Cerrado area. The major factor limiting agricultural production in the area today is extremely low soil fertility.

River Plate Valley Development

The River Plate Valley Development Program received its greatest stimulus from the support given by the Presidents' decision. Prior to this momentous step, the five countries of the basin culminated a series of initiatives by holding the first meeting of Foreign Ministers on February 27 to deal with the basin. During 1966, four of the countries (except Uruguay) individually had formally asked the IDB and the Institute for Latin American Integration (INTAL) to undertake feasibility studies. Subsequently, the IDB, the UN Special Fund and the CIAP Special Development Assistance Fund agreed to contribute resources for preliminary data collection and other studies. The IDB designated INTAL as the principal organization for the basin studies and the President of the Advisory Council of INTAL was designated Coordinator. A "Consultative and Coordinating Board for the Program of the River Plate Basin" was formed by IDB President Herrera, OAS Secretary General Mora, CIAP Chairman Sanz, and UNDP Deputy Administrator Heurtematte.

The Foreign Ministers Meeting called for: (1) a study of multinational, bilateral and national projects with respect to navigation, hydroelectric resources, flood control, conservation, regional transport, industrial promotion, etc.; (2) an Inter-Governmental Coordinating Committee to act as a clearing house for information; (3) specialized agencies within each country to coordinate and evaluate all national studies and aspects relating to basin development; and (4) close collaboration with international agencies, including CIAP. The next meeting of ministers is scheduled for Bolivia before the end of 1967.

While the organization of the work encompassing the entire basin got under way, attention continued to be given to the several individual projects within the watershed which were discussed in the last Progress Report. The major new development was the approval of a loan of \$225,000 by the IDB for the feasibility study of the second stage of the Acaray Project, which is the multinational aspect.

The OAS Secretariat has pointed out that the serious limiting factor in the development of the River Plate watershed is the small amount of funds available for feasibility studies--about \$1 million over a 5-year period (CIAP/123). For the Mekong River basin, which is smaller in area and population, \$30 million has already been spent for investigations needed for comprehensive planning of the river basin (i.e., studies of hydrology, geology, biology, engineering, topographic mapping, etc.) By

1975, a total of \$239 million will have been spent in pre-investment studies for about \$3 billion in investments.

Multinational Projects to Settle Bilateral Quarrels

During the period under review, neither Ecuador nor Peru has taken any new initiative concerning the Tumbes River Valley program. The flare-up of tensions last January regarding this long-time border dispute have made it particularly unlikely that any fruitful negotiations could take place for the time being.

The Presidents of Colombia and Ecuador recently met at the border town of Rumichaca and agreed upon measures to implement the two countries' frontier integration treaty. The recent successful drilling for oil on both sides of the frontier adds an additional factor in support of collaboration by the two countries. A border integration commission has been set up, and the two Governments have been at least sporadically in touch with the IDB regarding possible assistance to this binational development effort.

The Presidents of Peru and Bolivia have met in recent months to discuss joint development projects. Both governments have been in contact with the IDB, initially to discuss the transportation needs of southern Peru and an additional road transportation route from Bolivia to the Pacific. The IDB is interested in financing a study for regional development of this area, possibly involving the ultimate use of the waters of Lake Titicaca in agricultural projects of interest to the two countries (and, conceivably, at some future date of interest also to Chile). The IBRD is likewise conducting a transportation survey of Bolivia which will also include an analysis of a proposed new road from Bolivia to the Peruvian coast.

Use of Satellite or Aircraft for Surveys of Natural Resources

An inter-agency team lead by NASA visited Brazil March 16-18 to discuss a proposed agreement establishing a cooperative research project using instrumented aircraft. Opening discussions were held with representatives of the Foreign Office, the Brazilian Space Commission (CNAE), the National Research Council (CNPQ), the Ministry of Agriculture, the National Department of Minerals Production, the Naval Research Institute and other interested agencies.

A Brazilian committee under CNPQ/CNAE sponsorship has held several meetings with interested Brazilian agencies, including the Joint Chiefs of Staff. Arrangements have also been made for 14 Brazilians to make a two-week visit to NASA and other U.S. remote sensor installations beginning on June 18. Following their return, U.S. experts will again visit Brazil to assist in finalizing the joint agreement. The estimated date for signing the agreement is September 1967.

Telecommunications

The IDB and the United Nations Development Program have now agreed to collaborate on a feasibility and preinvestment study of the general requirements for creation of an Inter-American Telecommunications Network consisting of radio, microwaves, cables, and earth stations. In this network, all Latin countries would be linked among themselves and with the rest of the world.

In addition to the Presidents' decision, impetus for the proposed study, which will require one year and cost approximately \$300,000, was given by a recently completed study of space and terrestrial communications compiled by the consulting firm of Page Communications Engineers, Inc. for the IDB. Among other recommendations, Page called for the construction of earth stations in seven South American countries, Argentina, Brazil, Chile, Colombia, Peru, Venezuela and Uruguay. Six of the seven listed nations are now either considering earth stations or are actually implementing plans for construction. Uruguay is the country whose views remain unknown.

Representatives of the IDB, the Inter-American Telecommunications Committee (CITEL) and other groups met in February to develop terms of reference under which the Bank will promote the development of an integrated network.

Chemical Fertilizers

Since December 31, 1966, the following progress has been made in the use and manufacture of chemical fertilizers in South America:

1. During January and February, the CIAP Fertilizer Consultant collaborated with an Iowa State University economist on a study on the "Fertilizer Supply and Demand of Peru." In Uruguay, he completed a study of the "Supply of Fertilizer in Uruguay" which is being published as a TVA Report.

2. The Canadian company, Minera Bayovar, for reasons as yet not clear, has stopped development of the large Sechura Desert phosphorous and potassic mineral deposits. Although other companies are interested in developing these rich resources, at the present time no work is going on.

3. On June 10, at the request of the Government of Peru, a team of TVA fertilizer technicians began a study of the present and potential fertilizer industry of Peru.

4. With assistance from AID, TVA is establishing a world fertilizer information service which will be available for the development of LDC fertilizer programs. A TVA librarian will also visit overseas libraries to make microfilm copies of foreign publications on fertilizer technology.

5. The IDB is negotiating with the U.S. Geological Survey for a study of the sources of fertilizer minerals in South America which will be more complete than the "Sources of Fertilizer Minerals in South America, A Preliminary Study," Geological Survey Bulletin 1240, which was released November, 1966.

6. As a result of an AID-CIAP survey questionnaire sent to all of the Latin American countries on the names, capacity and nature of fertilizer industries, there is now available a complete registry of the Latin American companies engaged in the fertilizer business.

7. USAID Missions, TVA and CIAP are jointly sponsoring a 16-week training course in fertilizer technology which will start at TVA on July 15. To date, twelve Latin American technicians have registered for the course.

Financial Resources

At the Summit Meeting, President Johnson indicated that substantial additional funds would be made available by the United States to the Fund for Special Operations of the IDB. He also observed that he had asked the Eximbank to give urgent and favorable attention to loan requests for construction of satellite communications stations provided that the projects are feasible. Subsequently, the President submitted a request to the Congress to include in the new IDB authorization the sum of \$150 million over a 3-year period for multinational projects.

The contribution to the IDB would be made with the understanding that Latin American countries will contribute and that the IDB will allocate sufficient funds from its other resources so as to provide a total of \$100 million per year for three years. If Congress approves the President's request, the funds available will be more than enough to finance the construction of projects that may be ready in the near future.

There may be a much greater immediate need for funds for feasibility studies, especially for those countries which are accelerating the negotiation of inter-governmental agreements.

V. Current Problem Areas

Among the five problems discussed in the last Progress Report, it appears that only the matter discussed in paragraph 4, relating to earmarked additional funds for multinational projects, has been resolved. In addition, the following matters have become of concern:

1. The slow pace of inter-governmental agreements has impeded feasibility studies and seriously postponed the schedule for realizing the major multinational projects. It is hoped that the special CIAP reviews may speed up this process.
2. Another problem area has been the reluctance of the IDB to permit CIAP to make recommendations concerning the priorities of the Preinvestment Fund Work Program and its very slow action.
3. In some cases, the Latin American countries may tend to become over-organized, which would be as unfortunate as no organization. Thus for the River Plate program, there is now a "Consultative and Coordinating Board" as well as an "Inter-Governmental Committee" with no apparent connection between them.
4. While the Latin American countries have a great interest in the multinational infrastructure projects, they may not take steps to make the financial contributions expected of them. The Preinvestment Fund, which was established about a year ago, has not yet received its first contribution from a Latin American country. Failure to

contribute to this fund and to the IDB Fund for Special Operations may affect further U.S. contributions for multinational projects.

5. As the construction program for multinational projects advances, care should be taken to include a number of self-liquidating or revenue-producing projects in the mix in order to avoid increasing disproportionately the debt burdens of the countries.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

Thursday - September 29, 1966

MEMORANDUM FOR WALT ROSTOW

Walt -

Before Linc left for Mexico City I discussed the "Frontiers" paper with him.

He agreed to the proposition of giving Sanz a sanitized copy of the paper and urging him to use this, together with the Lilienthal Report, in putting out a CIAP study on the subject which could be given wide distribution. We would tell Sanz that our experts would be glad to work along with his both on the text of the study and the accompanying graphics.

ARA has gone over my sanitized version. The changes in the text are marginal. But they have deleted the maps on resources on the grounds that they are incomplete or their accuracy cannot be vouched for. At my insistence, they have left in the appendix with the listing of all the projects, actual and potential, and the corresponding map. A copy of the ARA draft is attached.

Next Monday Herrera is scheduled to brief CIAP on the Lilienthal Report. After he makes his presentation would be a good time for you to give our "Frontiers" paper to Sanz. With this schedule in mind, ARA has rushed their version of the paper to the printers. Enough copies of the paper are being run off to give each CIAP member one if we subsequently decide with Linc that having this number floating around would do no harm.

WGB
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Attachment

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THE FRONTIERS OF SOUTH AMERICA

DEPARTMENT OF STATE
UNITED STATES OF AMERICA

September 1966

The Frontiers of South America

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The Frontiers of South America

This report is a summary of a preliminary effort to assess the appropriate role of hitherto unused (or under-utilized) land and natural resources in the economic development of South America.

Part One seeks to put the problem in a general economic perspective.

Part Two examines the characteristics and potentialities of the principal underdeveloped regions and the location of major untapped natural resources.

Part Three summarizes the projects under way or under examination.

Part One: The Economic Backdrop

A population density map (Figure 1) reveals South America as a continent whose people still live mainly along the seacoasts or close to them. A vast unpopulated -- or barely populated -- interior beckons and challenges, as it has done for several centuries.

The result is a product of geography and economic history.

The location of mountain ranges and escarpments as well as forbidding tropical lowlands and rain forests (Figure 2 and Figure 3) decreed that men would first exploit the arable land near the coast or accessible to it. The Indian population, it is true, remained withdrawn in the Andean cordilleras and altiplano, maintaining a distinct cultural and social life; although the impact of modern public health measures has created population pressure in the past generation. Moreover, minerals, timber (and, at one time, Amazonian rubber), drew some enterprise to the interior. But the South American interior was -- and by and large remains -- a difficult and expensive frontier to exploit.

The first two major phases of South American economic development reinforced the bias of nature.

South America developed, in the first instance, as a supplier of agricultural products and raw materials to Europe, and then, to the United States. The modern elements in South American life were thus focused around the ports; and a premium attached to agricultural development in regions close to the seacoast or accessible by rail or road.

Over the last 30 years South America experienced its first major phase of industrialization. The initial leading sector in industrial growth has been the production of consumer goods in substitution for imports. The markets for such goods were, naturally, existing centers of population and wealth. Thus, the coastal cities built up to manage South America's



SOUTH AMERICA POPULATION DENSITY

- Shaded areas: less than 2
- Shaded areas: 2 to 25
- Shaded areas: more than 25
- URBAN
- 1,000,000 and over
- 500,000 to 1,000,000
- 100,000 to 500,000
- 25,000 to 100,000

Scale: 1 inch = 1,000 miles or 1,600 kilometers





Prepared for the POLICY PLANNING COUNCIL, Government of India, under the direction of the Director, Planning Commission.

international commerce became the focus for industrial activity. The coastal bias in South American development has thus reinforced.

This initial industrial phase of South American development was accompanied by a rise to effective political and social power of urban groups. Investment in infrastructure, housing, education, and health was disproportionately concentrated in the coastal cities. With certain notable exceptions -- for example, the building of Brasilia -- the development of the South American interior and, indeed, of agriculture in general, was relatively neglected over the past generation.

South America now stands at a stage where it is appropriate to look afresh at the potentialities of the frontiers for the following reasons:

-- The demand for food (flowing from the expansion of population, incomes, and urbanization) is increasing in the region as a whole faster than food production.

-- The import substitution boom in consumers goods for urban markets has clearly lost its power to carry forward industrialization in most of the South American countries. They must turn now to widening their domestic markets, diversifying their foreign markets, and building an efficient capital goods base for their industrial structures.

-- The impulse to economic integration is gathering strength under a mixture of economic, political, and psychological pressures; and the development of some of the potential new lands requires cooperation among South American countries as well as between them and the international financing community.

-- The growing industrial and technological competence of South America, combined with new technology and capital available from abroad, makes possible now the economic development of some regions hitherto denied by natural barriers, soil limitations, and endemic disease.

In the next phase, South American industrialization must move toward efficiency and maturity; markets must be widened and linked; the race between food production and demand must be won and, indeed, South America should become, again, a new food exporter; its unexploited natural resources must be put to work to provide chemical fertilizers, minerals, and fuel for its own development and to enlarge foreign exchange earnings.

There is, thus, an instinctive and proper feeling that the opening up of hitherto unused land and resources could and should play an important part in this process.

But what part -- and how big a part -- depends on answers to difficult and important economic questions.

The South American interior is not, by any means, a rich, open fertile region like the great plains of North America. Its development has been thus far impeded by real factors;

- the high cost of access and of transporting its products to market;
- the high cost of establishing settlements with community facilities and social infrastructure of the kind available in coastal regions;
- considerable lack of knowledge and technical assistance necessary to bring the soils into efficient use;
- in some cases, the continued prevalence of uncontrolled disease;
- in some cases, laws, public policies, and international frictions which inhibit the opening up of new lands and resources.

In short, what must be established is whether investment in the opening up of new land will yield greater benefits with respect to agricultural production and productivity, new resources, and widened markets than investment to these ends in the more developed regions of South America. Moreover, the changes in law, policy and international agreements required for the economic exploitation of unused land and natural resources must be identified.

The answer to these questions must be established region by region and project by project against the background of expanding research and exploration; for, despite the powerful attraction to adventurous minds, of the South American interior, there is a great deal we do not know. Investment decisions must be based on the answers to these questions.

Nevertheless, it is possible to map roughly the potentialities and to suggest where and how to move forward on a rational basis.

• Part Two: The Major Underdeveloped Regions and Resources of South America

A. Land

It is useful to set out the major potential unused regions of South America under the following seven headings, moving, more or less, counterclockwise south from the Panama Canal.

1. The Darien Gap
2. The wet tropical lowlands (other than flood plains)
3. The wet tropical flood plains
4. The East Andean Piedmont (upper tropical lowlands)
5. The Campo Cerrado
6. The Gran Chaco and Gran Pantanal
7. The River Plate Drainage System
8. The Sao Paulo-Buenos Aires axis
9. The Guyana complex

The Darien Gap. The missing link in the Pan American Highway system is the 250 mile Darien Gap. It is a tropical jungle region containing a good deal of arable land but cut by rivers and mountain ranges, notably near the Panama-Colombia border. The Darien Sub-committee of the Pan American Highway Congress, together with the U.S. Bureau of Public Roads and corresponding agencies of the Colombian and Panamanian governments, have done extensive surveying of the possible routes.

The case for making the link is the following:

-- It would open considerable areas in Panama for cattle raising and other agricultural uses, as well as creating access to extensive forest resources. It might make accessible some mineral resources.

-- It would help open up the Panamanian hinterland and draw some population away from densely populated areas.

-- It would provide a land link between Central America and the northern part of South America -- an objective with strong psychological and political overtones throughout the region -- and permit truck traffic between Central America and the industrial centers of Colombia.

These positive aspects of the completion of this link of the Pan American Highway must be weighed against the cost and be related to other "frontier" development projects. It is also important that project planning for this area include adequate disease (e.g., malaria) control measures -- to be effected before construction personnel reach the field.

The wet, tropical lowlands (other than flood plains). The largest undeveloped region of South America consists of the wet tropical lowlands of the Amazon and Orinoco river basins in Brazil and adjacent regions, Venezuela, Colombia, Peru, and Bolivia. This region is characterized by dense forest and grassy savannas, with heavy rainfall, high temperatures, and soils of extremely low fertility.

Because of their low fertility, these areas remain virtually unused; although cropping is possible on forested lands under shifting cultivation; while cattle grazing is practiced on the savannahs at low carrying capacity.

In the very long run, it is possible that sophisticated fertilizer application and suitable soil conservation practices might render these regions productive. Moreover, permanent tree crops, like rubber, are possible where drainage problems permit. But, for the foreseeable future, unless new minerals or other natural resources are discovered, systematic economic development of this vast region does not appear to be of high priority. Population maps of South America are likely to continue to exhibit a vast empty area for many decades, unless there is an economically desirable way of damming the rivers to convert the Amazon Basin into a vast lake.

Wet, tropical lowlands (flood plains). The Amazon River flood plains have an area of 25,000 square miles; and the flood plains of tributary streams may add another area of similar size. The Brazilian Ministry of Agriculture is conducting exploration and research to establish whether these regions are capable of economic exploitation. The replenishment of soil nutrients through flooding suggests that rice might be economically produced in these areas and water buffalo might be grazed on pastures resistant to periodic flooding. Although a few areas of higher level ground in the zone are being successfully cultivated, much further research is required to establish whether the agricultural output from this region would justify the expensive measures of water control required.

The East Andean Piedmont. This relatively promising region consists of an interrupted strip of valleys and rolling hills in a narrow belt running along the eastern foothills of the Andes from Venezuela, through Colombia, Ecuador, Peru, and Bolivia. It is more than 3,000 miles in length; 10-15 miles in width; and contains perhaps 3 million acres of arable land.

The following table roughly indicates the relative expansion in arable land involved for each of the four countries.

Arable land and potential expansion in Andean Piedmont
~~Arable Land and Potential Expansion in Andean Piedmont~~
 (1,000 acres)

	<u>Current</u>	<u>Andean Piedmont</u>	<u>Total</u>
Colombia	12,100	750	12,850
Ecuador	2,800	150	2,950
Peru	3,300	1,200	4,500
Bolivia	7,700	900	8,600

Most of this land is forest or woodland, but there are some savannahs. On the whole, this area has adequate but moderate rainfall; better drainage and better soil fertility than the wet, tropical lowlands which adjoin it to the south and to the east.

This is the terrain which the Carretera Marginal de la Selva is designed to traverse. The needed access roads are being built; settlers are moving in; but the high cost of transporting its commercial products to market remain -- and will remain -- a problem to be solved in the future by a mixture of road

and air transport plus more efficient linking to the Amazon ports leading to the Atlantic.

The region is a good potential source of meat, dairy products, tropical foods, tobacco, tea, and other cash crops. A high premium will attach to processing in the region to reduce transport costs to markets.

The Campo Cerrado. A broad belt of rolling lands runs south of the Amazon Basin, from the Mato Grosso to the Sao Francisco River. This vast area is covered by scrub or low forest interspersed with savannahs and includes at least 400 million acres, a large part of which is topographically and climatically suited for cultivation. The low fertility of the soil will require, however, correction for nutrient deficiencies. Research (including that conducted systematically by the I.R.I. Research Institute) indicates that highly acceptable yields are possible for corn, beans, sorghum, soybeans, forage, and fiber crops, as well as cattle. At the present time, while the population is pushing into this area, it remains very lightly settled. Massive settlement, however, must be accompanied by a sophisticated use of technical knowledge, including fertilizer application. The existing (and expandable) region from Sao Paulo to Porto Alegre is evidently capable of further fruitful development and should enjoy higher priority in Brazilian agricultural development in the years immediately ahead. Like the Andean piedmont, this is another major region for systematic future agricultural development in South America.

The Gran Chaco and Gran Pantanal. This area includes Central and Northwestern Paraguay, Northeastern Argentina, Eastern Bolivia and the drainage system of the Paraguay River in Brazil. The Chaco is divided from the Pantanal roughly by the Paraguay River. The main difference between the two areas is drainage. Much of the Pantanal is flooded from November to April, while the Chaco is well drained and has less rainfall. Both areas have a pronounced dry season between May and September. Due to its size (perhaps 400,000 square miles) the area is important for future development, but will be costly to develop. The Pantanal will require extensive drainage works, dikes and roads. The Chaco needs irrigation, in part, before it can be intensively used. Extensive use in grain farming and improved forage production is possible without irrigation.

River Plate Drainage System. This is a large area which is composed of the complex of the Paraguay, Parana and Uruguay Rivers and their tributaries. It extends south from the Mato Grosso province in Brazil through Central and Eastern Paraguay, the broader areas of Brazil and Uruguay along the Uruguay River and into Northeastern Argentina (provinces of Entre Rios, Corrientes). These waters flow into the Argentine delta area where the Uruguay and Paraguay Rivers converge to become the River Plate estuary. These rivers flow through the swamplands of the Pantanal. Not infrequently the rivers of this system reach a flood stage at which they inundate vast areas and cause grave economic damage. This occurred in the Spring of 1966 in Entre Rios in Argentina.

Parts of the river system are being studied to determine navigation potential, particularly the Paraguay River which runs through Asuncion to

the Delta. It could be a major transportation artery from the Brazil-Paraguay-Bolivia interior. The U.N. is financing a survey of southeastern Paraguay which will include the Paraguay and Parana Rivers.

Power surveys have been completed and hydroelectric facilities are being constructed on Brazilian rivers which feed this system. Development of these power sites in Brazil will have an important effect on the downstream waters in Paraguay and Argentina. The Salto Grande hydro-electric project at Concordia, Argentina which will supply power to Argentina and Uruguay is ready for financing.

There is a growing recognition that the power, navigation and water resources of the rivers should be studied systematically and with the view that the region forms an economic unit. Study of the river system in its totality will require cooperation and agreement among the five countries involved. The development of the river system could be the basis for a multi-national agreement and the establishment of a coordinating development agency.

The Rio-Sao Paulo-Buenos Aires Axis. Looking ahead to the economic integration of Latin America, the strengthening of transport links between Buenos Aires and the industrial triangle of Brazil (Sao Paulo, Rio, Minas Gerais) makes sense. It is not too far fetched to regard that region as constituting in the future of South America a potential metropolitan strip something like that between Chicago and New York in the United States. It contains the richest agricultural area of Brazil as well as Uruguay -- a country which could find its destiny as an agricultural, commercial, and industrial component of this larger complex.

One project which would probably be justified within the decade and which would dramatize and accelerate this linkage would be a bridge over the River Plate estuary (or over the Parana delta). The configuration of waterways around Buenos Aires makes awkward road communications between that center and the region to the north. Improved ferry service across the estuary is now contemplated; but a bridge link might have major direct and indirect effects on the development of the whole southeastern sector of the continent.

The Guyana. One of the more important developments going forward in South America is the creation in Venezuela of the industrial complex at Santo Tome de Guayana, located in the mineral rich area at the conjunction of the Caroni and Orinoco Rivers. Santo Tome de Guayana was a village of 4,000 in 1950; it is expected to reach a multiple of the 1966 population of 100,000 by 1975. It already includes, in addition to hydroelectric facilities, a steel mill. A joint venture with Reynolds Aluminum Company is expected for the construction of a bauxite reducing plant. Both U.S. Steel and Bethlehem Steel conduct iron operations under concession agreements. The emergence of this industrial center suggests the possibility of linkage with Guyana whose interior is being explored.

South America
In broad ~~unsubstantiated~~ terms, then, the potential areas for further land development in South America consist of a set of possibilities for moving towards the interior in specific directions: south from the Panama Canal; east across the Andes into the long piedmont strip west into Campo Cerrado.

In addition, the irrigation, flood control, navigation and hydroelectric potential of the River Plate valley system remain to be exploited; the great urban centers of the southeast to be better linked; and the Amazon flood plains and Guayana to be rationally developed. All these areas will require substantial expenditures of capital for transport; infrastructure; and, in some cases, for significantly increased chemical fertilizer application and water control works. They would still leave the great tropical lowland regions of the Amazon and Orinoco Rivers relatively untouched.

B. Chemical Fertilizers

Latin American chemical fertilizer production relates to the development of frontier regions in two respects. First, some of the presently known chemical fertilizer resources are located in interior or otherwise undeveloped regions. Their exploitation will involve transport and other infrastructure investment; and they should serve to generate centers for wider industrial and agricultural development. Second, some of the frontier lands will require for their effective exploitation the application of substantial chemical fertilizers; for example, the Campo Cerrado.

The expansion in Latin American agricultural production over recent decades has not kept up with the increasing regional demand for food. That expansion has been based mainly on the opening up of new acreage. Between 1934-48 and 1950, for example, there was only a 5% increase in grain yields in Latin America as a whole.

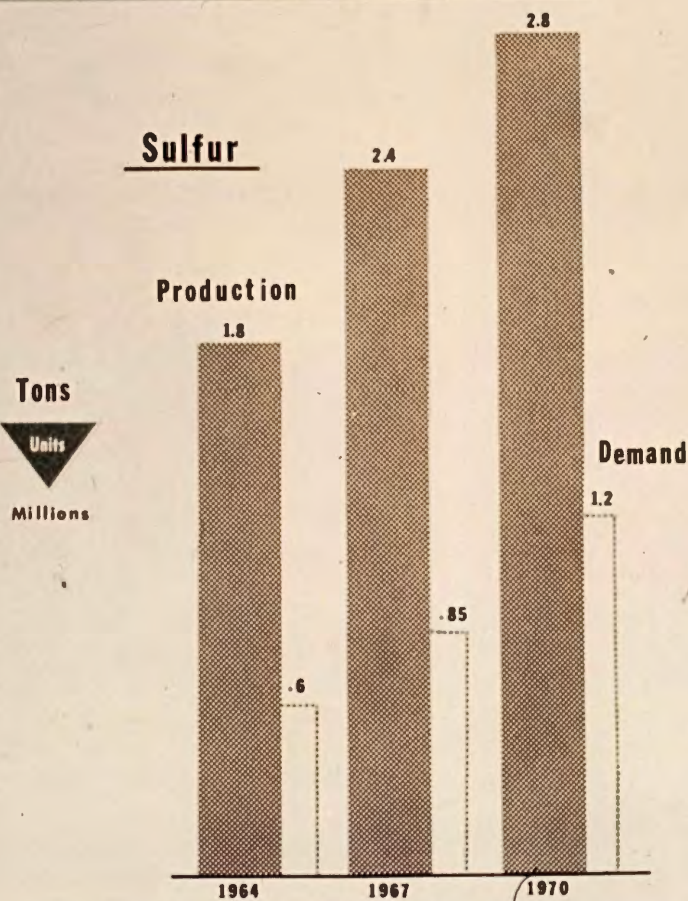
In the last few years attention to agricultural yields has been increasing in Latin America, as has been the consumption of chemical fertilizers. Nevertheless, it is clear that victory in the race between Latin American demand for food and population increase will have to be based on greater attention to agricultural yields in the generation ahead than in the past. As in Africa (but not in Asia) there is still unused arable land to be exploited in Latin America. But the mere opening up of land will not suffice.

Increased agricultural yields require increased application of fertilizers, pesticides, and improved seeds. It has recently been estimated, for example, that Latin American expenditures on such items, which were about \$600 million in 1960, must rise to \$2.7 billion per annum in 1980 if minimum food requirements are to be met in the region. It has been estimated that \$1.7 billion (of the \$2.7 billion annual expenditure in 1980) could be manufactured from Latin American resources. To generate this increase in Latin American production of agricultural inputs, an investment of perhaps \$3 billion will be required. The substantial Latin American import requirements for 1980 stem from the fact it lacks known phosphate and potash resources in sufficient quantity to meet this expanded demand as is detailed in Figure 4.

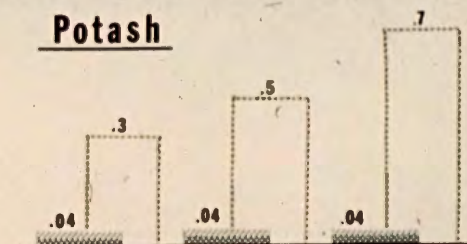
Chemical fertilizer production is, of course, not enough to being about an increase in yields. It must be made available to farmers at reasonable prices in an environment that also includes fair and reliable prices for their products, relevant technical assistance, credit, and incentive goods. Nevertheless (along with pesticides and good seeds), chemical fertilizers are a critical factor. Major known undeveloped potentialities for fertilizer inputs are the gas fields of Venezuela, Bolivia (Sucre area), and Chile (Tierra del Fuego).

The relationship between Latin American production, local consumption, export, and need varies widely between each of the basic fertilizer ingredients

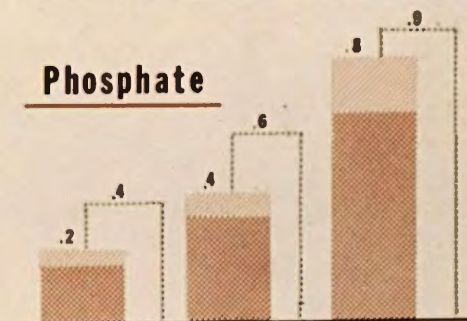
Sulfur



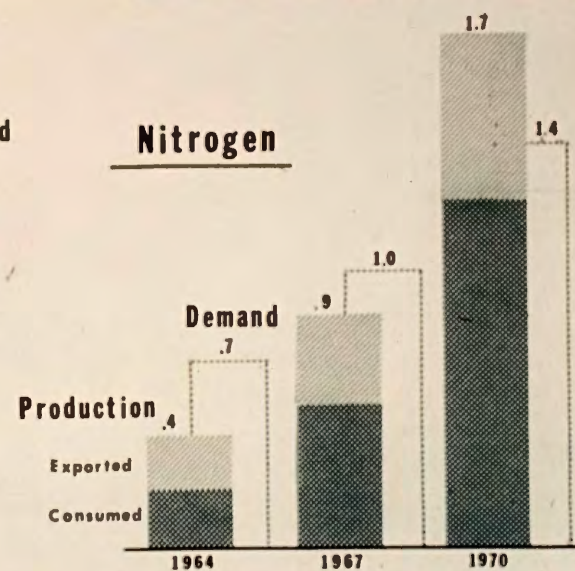
Potash



Phosphate



Nitrogen



C. Minerals

The geological resources of South America have been incompletely explored. The principal unexplored area believed to contain major mineral resources is the Andes.

Considerable work in mapping and resource exploration is underway in South America, under auspices of national and international agencies and of private companies. It is desirable, in view of the scale of the problem and its time urgency that attention be given to adaptation of the most advanced forms of resources surveying and mapping - using aerial photography and other remote sensor techniques.

See page 6

Part Three: Some Projects Under Way or Under Examination

Against this background, it is useful to examine the extent to which these potentialities are now being developed or under serious examination. Work is going forward in South America on, broadly, rational lines; that is, it is precisely in the more promising regions that projects are being constructed, feasibility studies made, and research conducted. An aspect of development potential is provided by Figure 5 which shows directions for possible future population settlement in frontier areas.

Specifically, the problems of closing the Darien Gap are being systematically surveyed.

-- A preliminary study for the Colombia Government of the Atrato-San Juan waterway is underway; and the UN is now awaiting a formal proposal from the Government of Colombia for financing a feasibility study of a multiple-purpose project.

-- Work and systematic consultation have been organized among the governments of Colombia, Ecuador, Bolivia with respect to the Carretera Marginal de la Selva.

-- Extensive research and colonization efforts (planned and unplanned) are going forward with respect to the exploitation of the Campo Cerrado region of Brazil and Paraguay;

-- and the Guayana region is an active account in terms of the creation of a new, vital industrial center in Venezuela as well as study and exploration in Guayana.



PREPARED FOR THE POLICY PLANNING COUNCIL, DEPARTMENT OF STATE, WASHINGTON, D.C. BY THE ENGINEERING AGENCY FOR RESOURCES PRIORITIES.

APPENDIX

Selected List of Projects: Actual and Potential

	<u>Number*</u>
A. <u>Argentina</u>	
Colonization	A-1
Airport Development	A-2
Rio Bermejo Development Project	A-3
Rio Dulce Project	A-4
Eastern Seaboard Megalopolis -- Rio to Buenos Aires	A-5
B. <u>Bolivia</u>	
Colonization of the Interior	B-1
Alto Beni Colonization	B-2
Okinawan Colonies	B-3
Lake Titicaca Development	B-4
Mutun Iron Ore Deposits Development	B-5
Malaria Eradication Program	B-6
Hemorrhagic Fever Control	B-7
Riberalta-Guayaramerin Road	B-8
Feasibility Studies	B-9
Mineral Survey and Geology Training	B-10
Abapo Irrigation Project	B-11
Carretera Marginal	B-12
C. <u>Brazil</u>	
Agrarian Reform and Frontier Development	C-1
Education for Rural Development	C-2
Agricultural Outpost Colony	C-3
Rio Grande Do Sul North Production Road	C-4
Fortaleza-Brasilia Highway	C-5
Paranaqua - Foz do Iguaçu Highway	C-6
Rio - Salvador Coastal Highway	C-7
Belem - Brasilia Highway	C-8
Frontier and Penetration Roads in the State of Para	C-9
Brasilia-Acre-Peruvian Border Highway	C-10
Work Fronts	C-11
Boa Esperanca Dam	C-12
Frontier Activities	C-13
Sete Quedas Hydroelectric Project	C-14
D. <u>Guyana</u>	
Air Transport (Feasibility Study)	D-1
Berbice River Harbor	D-2
Penetration Roads to the Interior	D-3

*See Figure 6.

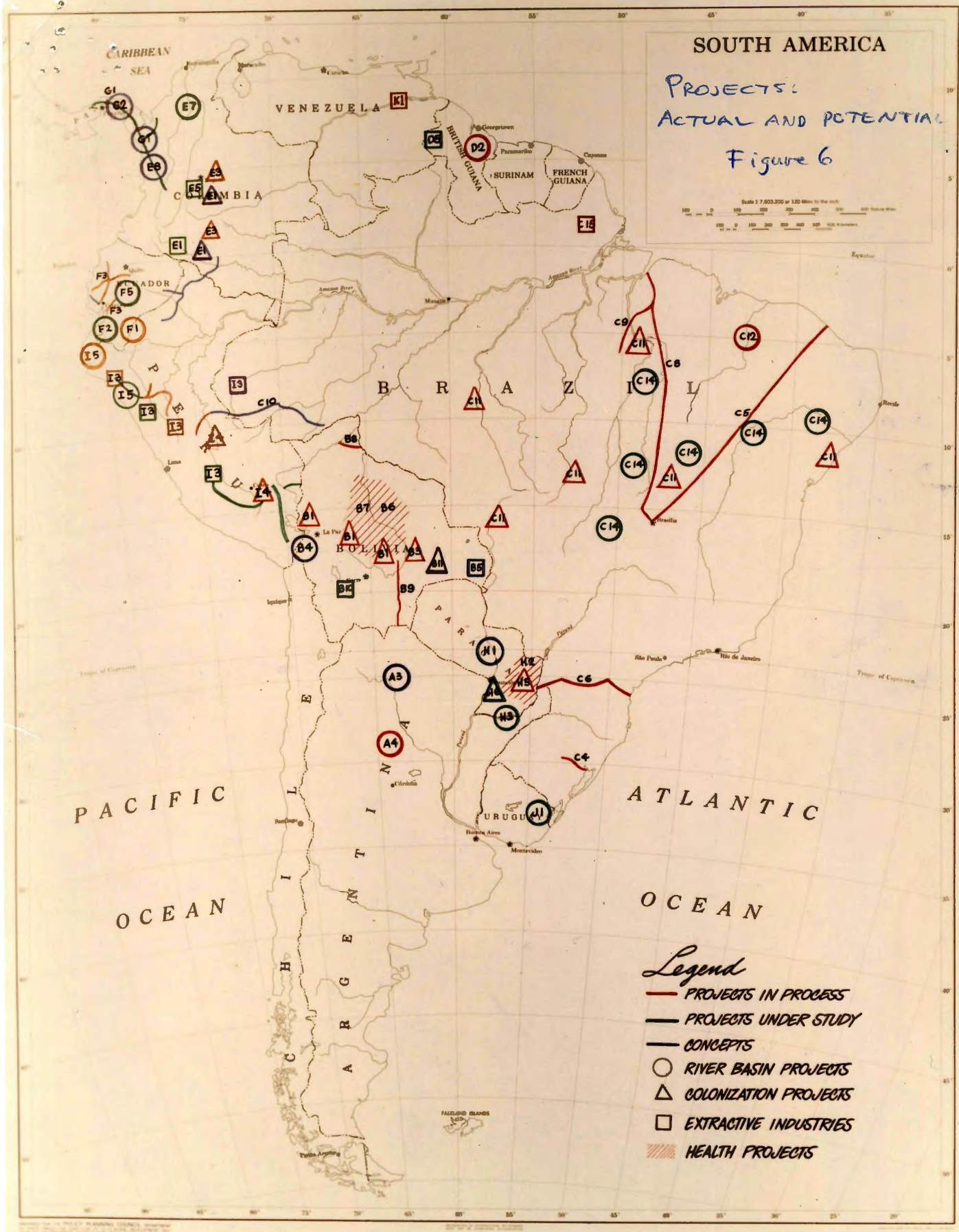
	<u>Number*</u>
<u>British Guyana (Continued)</u>	
Savannah Soils Investigation	D-4
Mineral Resources Development	D-5
Aerial Geophysical Survey	D-6
Forest Industries Development Study	D-7
Atkinson-MacKenzie Road	D-8
 <u>E. Colombia</u>	
Potential Colonization Projects	E-1
Basic Resources Survey	E-2
Land Settlement and Improved Land Use and Tenure.	E-3
National Territories Air Navigation Service (SATENA).	E-4
Mineral Resources Survey.	E-5
Potential Feasibility Studies.	E-6
Prefeasibility and Feasibility Studies	E-7
Atrato - San Juan Waterway.	E-8
Colombian-Ecuadorean Economic Integration of Frontier Areas	E-9
 <u>F. Ecuador</u>	
Upano River Valley Development.	F-1
Arenillas Irrigation Project	F-2
Consortium Highway Program.	F-3
Penetration Roads to Amazon Headwaters Area	F-4
Development of Guayas River Basin	F-5
 <u>G. Panama-Colombia</u>	
Pan American Highway - Darien Gap	G-1
Isthmian Sea Level Canal.	G-2
 <u>H. Paraguay</u>	
Navigation Study of the Paraguay River South of Asuncion.	H-1
Malaria Eradication	H-2
Apipe - Hydroelectric and Navigation Project	H-3
Road Construction and Maintenance Training	H-4
(Farm to Market Roads)	H-4
Colonization.	H-5
UN Special Fund Survey of "Triangle" Area	H-6

*See Figure 6.

	<u>Number*</u>
I. <u>Peru</u>	
Highways	I-1
Air Access to the Frontier	I-2
Private Sector Development	I-3
Colonization in East Andes	I-4
Irrigation Development	I-5
Carretera Marginal	I-6
J. <u>Uruguay</u>	
Development of the Lagunas Merin Basin	J-1
El Palmar Hydroelectric Project	J-2
K. <u>Venezuela</u>	
Industrialization of Southeast Venezuela	K-1
Agrarian Reform Program	K-2
Inter-American Gas Pipeline	K-3

*See Figure 6.

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THE WHITE HOUSE

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WASHINGTON

May 31, 1966

NATIONAL SECURITY ACTION MEMORANDUM NO. 349

TO: The Secretary of State
 The Secretary of Defense
 The Administrator of the Agency for
 International Development
 The Secretary of Agriculture
 The Secretary of Commerce
 The Secretary of the Interior
 The Secretary of the Treasury
 The Administrator of the National Aeronautics
 and Space Administration

SUBJECT: Development of the Frontiers of South America

At my direction the Policy Planning Council of the Department of State has prepared a study entitled "The Frontiers of South America," containing a preliminary assessment of the potentialities of developing the heartland of the South American continent. This study provides a foundation for future systematic work. I wish to see the short and long term aspects of the study carried forward expeditiously by all Departments and Agencies concerned.

I have assigned to the Secretary of State responsibility for directing this project, using the mechanism established by National Security Action Memorandum No. 341 of March 2, 1966. Within the framework of NSAM No. 341 and because the project relates exclusively to the Latin American area, it is understood that the Secretary of State will delegate action responsibility to the Assistant Secretary of State for Inter-American Affairs.

DECLASSIFIED
E.O. 12356, Sec. 3.4
NIJ 87-98
By uf NARA, Date 9-14-89

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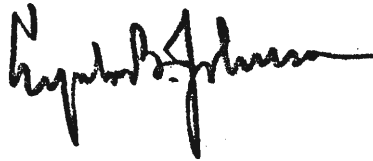
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The study should be examined in the first instance with a view to selecting and developing the most appropriate proposals for presentation as topics of discussion at the proposed meeting of Chiefs of State of the American Republics. Subsequent consideration of the study will seek to determine the feasibility of the remaining proposals and establish priorities for their implementation within the over-all program of assistance for Latin America.

A report on the progress made in carrying forward the South American frontiers project is to be submitted to me at six month intervals beginning on December 31, 1966.

A handwritten signature in dark ink, appearing to read "Lyndon B. Johnson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.



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DEPARTMENT OF STATE
WASHINGTON

February 14, 1967

5
W. Rostow
2. Boarder

MEMORANDUM FOR MR. WALT W. ROSTOW
THE WHITE HOUSE

SUBJECT: Progress Report on Frontiers of South America

There is enclosed the progress report on Frontiers of South America requested in NSAM No. 349 of May 31, 1966.

Benjamin H. Read
Benjamin H. Read
Executive Secretary

Enclosure:

Progress Report

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Decontrol following removal
of classified enclosure.

RECEIVED
RUSTOW'S OFFICE

1967 FEB 14 PM 6 53

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PROGRESS REPORT ON NATIONAL SECURITY ACTION
MEMORANDUM No. 349, May 31, 1966,
"FRONTIERS OF SOUTH AMERICA"

DECLASSIFIED

E.O. 12356, Sec. 3.4

NEJ 93-347

By ing, NARA, Date 3-3-94

I. Summary

The study "Frontiers of South America" has spurred attention to the role of the multinational projects in the Alliance for Progress. The Inter-American Committee on the Alliance for Progress (CIAP) at its Ninth Meeting decided to reproduce a special version of the study for distribution to the Latin American governments. With the help of the Development and Resources Corporation, the IDB has been refining a list of multinational projects for the attention of its new Pre-Investment Fund for Integration. The State Department has developed a proposal, including financing, for dealing with multinational projects at the meeting of Chiefs of State. With respect to several individual programs and projects treated in Frontiers, a number of additional studies are under way but only one feasibility report--on satellite communications--has been completed.

During the coming year, Latin American recognition of the need for greater self-help measures in the execution of multinational projects is expected to grow, particularly in the light of favorable action anticipated at the meeting of Chiefs of State. Multinational projects should also be examined in relation to national development plans, probably through the CIAP annual country reviews, as well as the AID review process. Finally, consideration should be given to the earmarking of funds for multinational projects in order to avoid competition with strictly national development undertakings.

II. Introduction and General Comments

As directed by NSAM No. 349, the Assistant Secretary of State for Inter-American Affairs undertook the follow-up of the study "Frontiers of South America," and in the first instance, examined the programs suggested therein, along with multinational projects which concern the rest of Latin America, for possible consideration at the proposed meeting of the Chiefs of State of the American Republics.

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not automatically declassified.

The following general observations are offered prior to a review of progress relating to the individual programs outlined in the Frontiers study:

1. The Frontiers study has given thrust to multinational projects for all of Latin America, but in particular, to the projects in South America.
2. The consideration of the Frontiers study has reinforced the importance of relating the multinational physical infrastructure projects to the common market efforts.
3. The application of the economic test set forth in Frontiers has focused immediate attention for the short term on pre-feasibility studies to ascertain the projects for which feasibility studies should be undertaken. That test is "whether investment in the opening up of new lands will yield greater benefits with respect to agrarian production and productivity, new resources, and widened markets than investment to these ends in the more developed regions of South America."

III Meeting of American Presidents

For the meeting of American Presidents, anticipated in mid-April 1967, the identification and execution of sound multinational projects in Latin America as part of the broad program of economic integration has received general endorsement in discussions with Latin American representatives. A United States position paper on support for multinational projects (see Annex A) calls for an increase of \$50 million per year from FY 68-70 in the U.S. contribution to the IDB's Fund for Special Operations (FSO) provided (1) the Latin Americans make a corresponding increase in their shares, and (2) that the IDB make a stated amount, possibly up to \$100 million per year, available for multinational projects. The Latin Americans would also make national contributions available to the funding of specific projects in the countries concerned.

Although the position paper identifies a number of multinational projects where the completion of detailed feasibility studies is anticipated before the end of 1967, it is not now contemplated that the Presidents will discuss or approve specific projects at the Summit. Rather, it is expected that the Presidents will direct the allocation of expanded resources for multinational projects in general, largely through the IDB, and call for a

substantial acceleration of efforts in that area. As the illustrative table appended to the position paper suggests, expenditures in FY-68 could reach \$25 million.

IV. Progress of Inter-American Institutions

Inter-American Development Bank

The Inter-American Development Bank has become the principal international agency for planning and financing multinational projects for all of Latin America. To date, its primary concern has been with the planning phase.

On July 21, 1966, the IDB Board of Directors, in response to resolutions of the LAFTA Ministers of Foreign Affairs Meeting of November 1965, the Fourth IA-ECOSOC Ministerial Meeting of March 1966, and the IDB Board of Governors Meeting of April 1966, approved the establishment of a Pre-Investment Fund for Latin American Integration for physical infrastructure works, integrated development of geo-economic zones, basic industries, and supporting activities. These projects are to be worked out in close consultation with CIAP, LAFTA, and CACM. Subsequently, the Bank allocated \$16.5 million to the Fund, of which \$1.5 million was authorized by the United States from the Social Progress Trust Fund.

Prior to the establishment of the Fund, the IDB in March 1966, had listed the studies of integration projects being undertaken by other Latin American organizations such as LAFTA, CACM and ECLA. On September 30, the Bank completed a revision of its own previous listing of multinational projects. In September, the Bank also issued the report "Multinational Investment Programs and Latin American Integration" which had been contracted with the Development and Resources Corporation (Lilienthal) in 1965. (See Annex B) In December, the Bank completed its first "Work Program" for the Pre-Investment Fund. This most recent effort, based on the Lilienthal Report, sets forth the working groups and preliminary studies which the Bank considers necessary in order to reach decisions concerning the projects which should merit feasibility studies. As of the close of the reporting period, only one feasibility study--relating to the location of the ground stations for satellite communications--had been completed for the IDB. Contracts for other feasibility studies were under discussion.

During 1966, the Bank also established an Integration Secretariat to develop and evaluate relevant studies.

CIAP

At the CIAP Ninth Meeting in October 1966, the U.S. Representative presented a sanitized version of the Frontiers study with the recommendation that it be transmitted to the member Latin American countries for their study. The reproduction of the study is under way.

The Frontiers study was issued too late to receive attention during the third series of CIAP country reviews. In the reviews for 1967, special attention should be given to multinational projects not only for South America, but also for the rest of Latin America. In this connection, the CIAP working group suggested by Frontiers could be useful.

The CIAP advances in the fertilizer field are discussed under the section on chemical fertilizers.

CIAP has not as yet made recommendations on the Lilienthal Report. nor has it developed a systematic and regular report on multinational projects which will help bring them to the financing stage.

V. ProjectsDarien Gap

The survey by the Bureau of Public Roads to determine the cost of completing the Darien Gap link of the Pan American Highway should be completed in January 1967. Advance information indicates that the report may focus on the Choco route which costs about \$122 million more than an alternate route through the Atrato River swamp, which might also have greater economic utility. Action will be held up until this important question is resolved.

It is believed the U.S. should request a systematic study of the relations among all of the elements: Panamanian development (including the Bayano project); the new Canal; the proposed Atrato-San Juan Waterway; Colombian development; the Pan American Highway; and more recently, the Caribbean circuit. The Hudson Institute report on the Atrato-San Juan Waterway is available but it does not study the problem in adequate depth to make decisions possible at this time.

In view of the need to have a U.S. position at the Meeting of the Pan American Highway Congress in February 1967, the Department of State is preparing a memorandum for the President.

Carretera Marginal de la Selva

In response to the suggestion in the Frontiers study, a consultant was employed whose advance evaluation of the TAMS report concludes, first, that "since a continuous route along the selva will not be feasible for a sufficiently long time, its consideration should definitely be considered very long-range planning and consideration of it should be limited to aligning whatever sections might prove feasible in the next decade or so in such a way that ultimately a connecting route will be constructed." Secondly, "no evidence is presented (in the TAMS report) to justify immediate construction of any of the sections examined." The consultant has made a number of criticisms to the effect that the TAMS report is much too optimistic concerning the feasibility and the benefits to be derived from the highway, accordingly this project will require further study.

So far, it appears that President Belaunde has not undertaken any further systematic consultations with other countries concerning the highway, a step which would be highly important if the project is to be truly multinational. The highway has not figured seriously in the respective development plans of the countries, the CAP reviews, or the CIAP reviews but interest will probably increase as a result of the Summit meeting.

Campo Cerrado

Brazilian federal and state agencies, with technical assistance support from AID, are undertaking a Frontier Homestead Program which has the following major objectives: (1) To create an information base for settlement programs by systematically evaluating resources, identifying land ownership, and isolating the socio-economic factors determining the success or failure of settlement; (2) To lay out, from these data, a 10-to-15-year action plan determining settlement costs, preparing work plans, and carrying out operational steps; (3) To train personnel, arrange financing and monitor settlement efforts. The area covered by the States of Mato Grosso, Maranhao, Goias, and Para appear to offer the major possibility for absorption of up to one million families expected to seek better opportunities in the West in the next decade. Much of the Campo Cerrado area is located in these States.

The Ministry of Agriculture and various states are beginning to select settlement areas based on soils information recently compiled. State and local land offices will be established to administer land management programs, including land distribution. Efficient systems of land titling, registration, and recording will be established, using in part air photography and micro-film techniques.

River Plate Valley Development

A number of multinational projects within this river basin are in the discussion stage, such as the Acaray, Salto Grande and Guira

hydroelectric installations; the bypassing of the Apipe rapids on the Parana River between Argentina and Paraguay; the dredging of the La Plata Port Basin by Uruguay and Argentina; and the opening of the Bernejo River in Bolivia to the sea via Argentina. Progress has varied, but the USAIDs and the IDB have been active in supporting constructive plans. AID financed the construction of Paraguay's Brazil Road, thus connecting the two countries, and the IDB has provided a \$22 million loan for turbines for the Acaray hydroelectric project involving Paraguay, Argentina and, potentially, Brazil (an additional \$50 million will be necessary to fully realize the multinational power-producing capabilities of the installation). Brazil and Paraguay have agreed to share equally any power resulting from the construction of the Guira hydroelectric installation and the project is being discussed with the IDB. Bolivia's President Barrientos has expressed continuing interest in the possibilities of an outlet to the sea for his nation and has discussed Bolivia's hopes with President Ongania of Argentina and others.

The IDB "Work Program" reiterates the Bank's support for the study of the Plate basin and also for several of the hydroelectric projects within the basin, but the overall study of the region is still in a preliminary stage.

Multinational Projects to Settle Bilateral Quarrels

Some consideration has been given to the development of the Tumbes River Valley which would be of mutual benefit to Peru and Ecuador. Also, specific studies have been proposed for roads from La Paz to the coast through Peru for the purpose of reducing tensions between Bolivia and Chile.

Economic Study of Colonization

CIDA has dealt with the problem briefly in a regional summary of its land tenure studies for seven countries. IDB, however, has not included this subject in its "Work Program".

Use of Satellite or Aircraft for Surveys of Natural Resources

Agreement has not yet been reached to establish the inter-agency committee suggested by Frontiers to work out the complex problems involved in the use of sensing devices by satellites or low-altitude aircraft. There is currently under consideration, however, a proposal to negotiate with Brazil a program for the use of aircraft in surveying natural resources.

Telecommunications

The report of Page Communications Engineers, Inc., made to IDB in December 1966, proposes a system of ground stations for relay

of satellite-reflected messages, but does not address itself to the improvement of internal telephone systems. The Inter-American Telecommunications Commission (CITEL), which met in October-November 1966, proposed broader studies directed toward improving the internal communications of South America.

Chemical Fertilizers

The following progress has been made in this field during the last seven months:

- (a) A fertilizer consultant has been provided to CIAP by AID.
- (b) A proposal is currently under consideration by the White House for the establishment of an International Fertilizer Center at TVA, and the CIAP Fertilizer Working Group at its Third Meeting in November accepted the TVA offer to render more extensive assistance in training and studies.
- (c) The U.S. Geological Survey fertilizer raw materials study has been revised; the IDB is recommending more extensive exploration with respect to potassic, phosphoric and sulphuric raw materials.
- (d) After a slow start, American private fertilizer companies are now offering their participation in the FAO demonstration projects to increase fertilizer demand. They have also been actively pursuing investment opportunities in fertilizer production and distribution in Latin America. The most striking investment during the period, however, has been that of the Canadian company, Minera Bayovar, for the development of the Sechura deposits of phosphoric and potassic minerals in Peru. In line with the company's other business, the products are being marketed in Japan and India primarily.
- (e) The FAO-ECLA studies of supply and demand for fertilizers in the major Latin American countries were completed and transmitted to the CIAP Working Group at its Third Meeting. These should be especially useful to IDB in assessing multinational potentials.

Financial Resources

The principal progress in this field has been the development of the proposal described in connection with the forthcoming meeting of Chiefs of State.

Current Problem Areas

1. A key element of the meeting of Chiefs of State, as far as the success of both multinational projects and other major agenda

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items are concerned, will be Latin American recognition of the need for strengthened and expanded self-help measures. Careful negotiations and consultations will be required to achieve that recognition.

2. One of the problems revealed in the Frontier program during the last six months arises from the need to relate multinational projects to the national development plans of the several countries. To facilitate such consideration on the U.S. side, the Department is planning to send copies of the study "Frontiers of South America" to the U.S. Embassies and AID Missions in the region.

3. Further impetus can be given to Frontiers by devoting special attention to the multinational projects in the CIAP annual country reviews for 1967. The establishment of a CIAP Working Group on Multinational Projects, as suggested in Frontiers, could help achieve this objective. The distribution of the sanitized version of the Frontiers study should also be of assistance.

4. Preliminary discussions of multinational projects with Latin American countries indicate the desirability of establishing special funds earmarked for multinational projects which will not be charged to the financial assistance allowed to individual countries. If this is not done, there may be a reluctance to support multinational projects. Realization of the proposal described in Annex B will achieve this end so far as the IDB is concerned.

5. In assessing Latin American support for particular projects, special care will have to be taken on financial participation by individual countries. If the U.S. or other developed countries were to pay for the entire project, there might be ready assent. But if the Latin American countries must share the cost, they will consider the utility of the project to their own development more carefully.

The above problem areas are currently under consideration.

Annex A - U.S. Support for Multinational Projects
Annex B - Comments on Lillienthal Report

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October 17, 1966

United States Support for Multinational Projects

I. Issue

The identification and execution of sound multinational projects in Latin America, as part of a broad program of economic integration, present excellent opportunities to promote economic and social progress. The extent and conditions of United States support for such projects are discussed in this paper.

II. Recommendation

As part of a broad agreement on the promotion of economic integration in Latin America, the United States should announce at the Summit its readiness to expand its contribution to the Inter-American Bank's (IDB) Fund for Special Operations (FSO) in the three fiscal years 1968-70 from the presently contemplated level of \$250 million per year to \$300 million per year, on the conditions (1) that the Latin Americans match this with corresponding increases of their shares, and (2) that the IDB undertake to provide a stated amount, possibly up to \$100 million a year, (from the FSO and Ordinary Capital combined) for the financing of multinational projects. The Latin Americans would contribute funds for multinational projects not only through their proportional contributions to the IDB but also through national contributions to the financing of specific projects in the countries where these projects occurred.

III. Discussion

Multinational projects are defined as those which contribute to development but which cannot be implemented without the direct cooperation of two or more countries. Multinational projects of a public works nature physically cross the boundary of two or more countries. A special virtue of multinational projects, besides their unifying force, is their tendency to be dramatic in a way that can contribute to the reduction of political tensions and strengthening of morale.

In Latin America multinational projects can make a major contribution to economic development by promoting economic integration and closer cooperation and association between states. At present the obstacles to intracontinental communications and cooperation in Latin America posed by limited road and rail networks, inadequate telecommunications and, through these, limited person-to-person

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contacts, foster an introspective national outlook. Latin America has been described as "a string of islands surrounded on one side by the oceans and the other by an unpenetrated wilderness". The ability and will of these "islands" to exploit shared geographic features for the common good are similarly restricted. Projects in Latin America aimed at establishing and strengthening regional infrastructure -- in the tradition of the Tennessee Valley Authority or the Saint Lawrence Seaway, for example -- are virtually non-existent.

In recent years, however, several international organizations concerned with Latin America have taken steps to promote multinational development projects. In August, 1965, the Inter-American Committee for the Alliance for Progress (CIAP) informed the Presidents of the American Republics that it had directed its Chairman to explore the possibility of enlisting support for establishing a revolving fund to finance preparation of projects and feasibility studies relating to integration. In a subsequent speech President Johnson stated that the United States would contribute Alliance for Progress resources to a new fund for the preparation of multinational projects.

On the recommendation of the Foreign Ministers of the countries comprising the Latin American Free Trade Association (LAFTA), the IDB resolved to set up within the Bank a mechanism to bear costs and technical responsibility for pre-investment studies to accelerate identification of integration projects in Latin America. At the IDB's meeting in April, 1966, a resolution was approved establishing the "Pre-Investment Fund for Latin American Integration" which would initially use approximately \$15 million from the IDB's Fund for Special Operations. In addition, one million dollars and a half million dollars equivalent in local currencies have been allocated from the Social Progress Trust Fund to finance pre-investment studies by the IDB. These amounts may be supplemented by contributions from the United States and other member countries, plus interested non-members.

In December, 1965, the IDB contracted for the services of David Lilienthal's Development and Resources Corporation (DRC) to develop guidelines and priorities on multinational development projects. The DRC report identifies some 35 potential projects in the field of multinational infrastructure (transportation, communications and power) and joint

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development of river basins and other geographic areas embracing two or more countries. It also recommends criteria for establishing multinational project priorities. Such criteria should be based in part upon comparisons among project proposals of key economic factors but also upon the contribution to facilitation of economic integration, and the value and meaning of development of the geoeconomic zones in which the projects would be located. A much needed project in a low potential zone, for example, would rate lower in priority than an equivalent project in a high potential zone. In addition to the Lilienthal study, the IDB is proceeding with feasibility studies on the Carretera Marginal, sites for communications satellite earth stations and integrated development of the Colombia-Ecuador border.

For the purposes of this paper multinational projects fall into two broad categories:

1. Single focus or functional public works projects. Examples are the Carretera Marginal de la Selva (Colombia, Ecuador, Peru and Bolivia); the several proposed transversal routes (Lima-Brasilia, San Lorenzo-Quito-Manaos-Belem, etc.); international bridges (e.g., over the Uruguay River); improvement of international communications systems; power transmission grids, or interconnections, for example, among the Central American countries or between Cali, Colombia and Quito, Ecuador.

2. Comprehensive or development projects based on multipurpose development of a physical or geographic resource. The most frequently cited project in this category envisions the development of the five-country La Plata River Basin (Argentina, Brazil, Uruguay, Paraguay and Bolivia). Other potential projects involve the development of the Gulf of Fonseca (Nicaragua, Honduras, El Salvador); development of the Amazon Basin (Brazil, Colombia, Ecuador, Peru, Bolivia); and development of the Lake Titicaca area (Bolivia, Peru and possibly Chile). The DRC report outlines a number of studies which, if initiated during this fiscal year, would provide considerable guidance on priorities by the end of calendar year 1968.

In the meantime, detailed feasibility studies are completed or underway or could be completed by the end of calendar year 1967 for a number of projects of high importance:

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1. A continental telecommunications system by satellite. A feasibility study of the system by Page Communications Engineers, Inc. is expected to be completed this fall. The contemplated project has two parts. The first consists of the satellite and ground stations. The second consists of improving existing systems in order to achieve maximum use of the satellite. Since there will be fewer ground stations (tentatively eight are being considered) than countries, both phases will require multinational cooperation. Obligations in FY-68 are possible, although the amounts that might be obligated in any one fiscal year will not be known until the Page study is finished. Preliminary cost estimates are:

Part I	\$ 150 million
Part II	\$ 350 million
Total	\$ 500 million

2. A power transmission grid for the Central American countries. A feasibility study is needed, but if undertaken in FY-67, obligations would be possible in FY-69. Cost estimate (by DRC): \$50 million.
3. The Carretera Marginal Highway in Colombia, Ecuador, Peru and Bolivia. Pre-investment studies for a few portions of this highway system have been completed. Others could be completed by the end of FY-68. The construction of this highway network and the east-west connections needed to tie it to existing population and industrial centers lying westward probably should be phased over a number of years to coincide with the development of specific areas within the four countries. Some sections are already known to be of high priority. Feasibility studies already available permit the following cost estimates:

Peru:

- a. San Alejandro-Villa Rica,
285 km. - \$47 million
- b. Rio Chanchamayo-Satipo,
100 km. - \$12 million
- c. San Ignacio - Jaen
101 km. - \$10 million

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Ecuador - Improvements of connections to the Carretera, \$4 million.

Other sections of the Carretera are known to be included in the highway plans of the several countries. Feasibility studies for these roads can be completed in six to nine months. Thus, the costs projects of high priority for various sections of the Carretera network, through FY-72, could range from \$100-\$300 million.

4. The Darien Gap road. Engineering studies are expected to be completed shortly. A preliminary cost estimate is \$260 million.
5. Lima to Curitiba, Brazil Highway. Much of this transversal highway is already built. The major missing link is in Bolivia, south from Santa Cruz, and the connection section into Paraguay. Pending feasibility studies good cost data is not available. A preliminary estimate pending a detailed feasibility study is \$40-\$50 million.
6. La Plata River Bridge. A feasibility study of the several possible bridge sites could be completed by 1970. By comparing the size of a structural bridge with similar bridges in the United States, a preliminary estimate of \$100 million appears reasonable.
7. Central American Throughway. A pre-investment study of the improvement of this road has been completed by Transportation Consultants, Inc. The benefit/cost ratios are unusually high, exceeding 8:1 in four of the five countries. The cost estimate is \$25 million.

For the projects listed above, the cost estimates available now range from \$1-\$1 1/4 billion. Assuming that many of the studies recommended in the DRC report are undertaken, a number of new projects would be ready for financing during the second half of the five year period. Among new projects to be studied might also be the proposed Choco project in Colombia which, at an estimated cost of \$500-\$700 million, would deliver power to Panama and Colombia as well as improving transportation facilities in northern Colombia. Some projects are

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likely to be delayed by the time required to negotiate the necessary international understanding. Since some projects are ready now, and since several of the countries have already demonstrated a willingness to support increased multinational activity, it is estimated that over a billion dollars could be invested in sound multinational projects over the next five years. This estimate is supported by Felipe Herrera, President of the IDB, who recently suggested that approximately \$1.5 billion will be required over the same period to finance multinational projects to establish and strengthen regional infrastructure.

Multinational projects promote institution-building as well as investment since international agencies, or national agencies working jointly, will, in most instances, be required for permanent administration. These new institutions, in turn, will constitute a strong and continuing force for integration. In addition, multinational projects will require new forms and arrangements of international cooperations among banks, insurance companies, shippers, customs agencies and other organizations which will be involved in the construction or the operation of completed projects.

The United States contribution referred to in the recommendation above would be conditioned upon IDB earmarking of a specific amount from both Ordinary Capital and the FSO for multinational projects. Multinational projects require considerable advance study and relatively long periods for construction or other implementations. They often involve decisions by governments and industries which frequently will be politically sensitive. Therefore, it is assumed that IDB obligations and expenditures for this purpose would be relatively low the first year but would increase quite rapidly thereafter. An illustrative table is attached.

Matching contributions for specific projects from the Latin American participants would probably be used primarily to finance local costs. Additional contributions might be forthcoming from other foreign sources, including the International Bank for Reconstruction and Development and other developed countries.

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Illustrative Table of IDB Obligations and Expenditures
for Multinational Projects

	<u>1968</u>		<u>1969</u>		<u>1970</u>	
	<u>Oblig.</u>	<u>Exp.</u>	<u>Oblig.</u>	<u>Exp.</u>	<u>Oblig.</u>	<u>Exp.</u>
Telecomm.	25	16	50	37	40	43
Carretera						
1. San Alejandro- Villa Rica	--	--	25	3	--	10
2. Rio C.-Satipo	6	1	--	2	--	3
3. San Ignacio-Jaen	5	1	--	2	--	2
4. Ecuador	2	1	--	1	--	--
Lima-Curitiba						
Bolivia-Argentina						
Paraguay Connections	--	--	25	3	--	10
Uruguay River Bridge	--	--	--	--	50	2
Central American Road	12	6	--	6	--	--
Resource Surveys by Satellite	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>10</u>	<u>5</u>
	50)	25	100	54	100	75

NOTE: Figures may change as feasibility studies develop
further information and cost data.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

APPENDIX B

COMMENTS ON THE LILIENTHAL REPORT, "MULTINATIONAL INVESTMENT PROGRAMS AND LATIN AMERICAN INTEGRATION"

Pursuant to the IDB request to the Development and Resources Corporation (Lilienthal) to aid the Bank in formulating a systematic approach to economic integration, a report was presented in August which lists as its conclusions 22 guidepoints for designing an investment program, and provides a set of 12 recommended major studies. The development of the guidepoints in subsequent chapters represent a valuable contribution to the literature on the economic development of Latin America. The recommended major studies, insofar as they may contribute to a meaningful comprehensive program for Latin America, appear to be well selected and responsive to needs.

Principal omissions of the report appear to be guidance on investment priorities, and more fundamentally, on the means for handling the recommended studies in such a way that their findings will be coordinated, and that adoption of the recommendations will lead to a balanced, internally consistent and workable program on the part of the IDB and cooperating agencies.

The consultant's report calls for additional studies, which, at a cost of about \$2.3 million, would provide an inventory of multinational projects. The report does not provide action priorities among such projects, nor any social, geographic, or economic bases for setting priorities. There is lacking a broad geo-economic background to serve as the physical base against which the several studies could be viewed so as to insure their future coherence, compatibility, and meaning.

There should be added a planning approach and investment strategy which integrates the various sectoral investment strategies which proceed from the geographic and other realities of the Latin American scene.

For example, in regard to transport (other than maritime transport, which is proposed to be studied separately), the consultant calls for a subsequent study "to identify a few of the most important transport improvements." As described in the report, these transport improvements would be studied without a framework of geographic or economic relationships to the other recommended

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GROUP 3

Downgraded at 12-year intervals;
not automatically declassified.

eleven studies. Nor does the scope of the proposed transport project call for a regional transport investment strategy.

The report defers treatment of some of the broad and difficult questions, in favor of specific new studies of parts or aspects of the problems. For example, while the question of development of the Rio La Plata basin is mentioned, consideration of this subject ends with the note that the newly established IDB-sponsored agency INTAL is studying the matter. The consultant does recommend study of aspects of one hydroelectric project within the La Plata basin (Salto Grande), of the markets for electric power in Paraguay and its neighbors, plus a study of potential electrical grids in South America. The consultant probably should have reviewed the scope of INTAL's approach to the problem, so that judgments may be made as to the timing and possibilities for a broad approach to this project which has roots in five countries.

A major priority concept for the various projects advanced in the report is that of pragmatism, i.e., action should begin where the international setting exists for joint action. A secondary point given, in reference to frontier area development, is that border areas between two relatively small countries offer good opportunities for cooperative work.

Priority determination requires consideration of presently recognized economic and social needs, local technical and institutional capabilities, and the relationship of proposed programs to existing national development plans. It is believed that the potential development projects might well be visualized against a background of rational geo-economic regions, such as those roughly described in the report "The Frontiers of South America". Within such a framework, it should be possible to discern more readily the relative areal priorities, e.g., for development in the wet, tropical lowlands (other than flood plains) of the Amazon basin, or in the Campo Cerrado. Further, such a background would aid in the development of multi-faceted investment and mutually supporting sectoral investment strategies.

Follow-Up by IDB

While IDB has not yet filled in the above-noted missing elements of the multinational project scheme, it has completed a further refinement in approach in the "First Work Program". It seems clear at this stage that many more studies must be made before multinational projects will be realized. In fact, it may be necessary to develop a "strategy on studies".

THE WHITE HOUSE
WASHINGTON

2:35 pm - 6/16/66

Mr. Smith:

One John A. Reinemund, of Geological Survey of Interior Dept., is requesting a copy of NSAM 349 (Frontiers of South America).

Pls call reply to Mrs. Coury, on 183/4484.

rb

Called Mrs. Coury & advised her that the Secy Interior was an addressee of NSAM 349 & her request should be submitted there.

(Pm BKS)

rb - 6/16/66

~~CONFIDENTIAL~~

June 3, 1966

7
DECLASSIFIED

E.O. 12356, Sec. 3.4

NJ 93-372

By cb, NARA, Date 5-22-95

Dear Mr. Secretary:

Last January the President requested the Policy Planning Council of the Department of State to make a study of the potentialities for development of the heartland of the South American Continent. With the valuable assistance of members of your Department, the Planning Staff recently completed the enclosed preliminary report, entitled "Frontiers of South America".

The President has reviewed the report and directed that intensive study of the proposals which it outlines be carried forward expeditiously.

Direction of the project is entrusted to the Secretary of State, with action responsibility falling on the Assistant Secretary of State for Inter-American Affairs, Mr. Lincoln Gordon. I enclose a copy of National Security Action Memorandum No. 349, dated May 31, 1966, containing the President's directive.

I want to thank you for the assistance which your Department has already given to this important project.

Sincerely yours,

W. W. Rostow

Enclosures

The Honorable
The Secretary of Defense
Washington, D. C.

Identical letters sent to each addressee of NSAM 349. (Exempt Sec State)

cc: ~~W. H.~~ Files
NSC Files ~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

June 3, 1966

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Enclosures

The Honorable
The Secretary of Defense
Washington, D. C.

Identical letters sent to each addressee of NSAM 349.

cc: W-~~M~~H. Files
NSC Files

~~CONFIDENTIAL~~

*State, Defense, Agriculture & aid received
from book*

June 2, 1966

Mr. William Bowdler
Room 380
Executive Office Building

Attached are ten (10) copies of The
Frontiers of South America, three
volumes each. Please note that
Volume #3 is classified Confidential.

Michel M. Ivy
Acting Executive Secretary

Attachments:
As stated

~~CONFIDENTIAL~~

June 3, 1966

10
~~CONFIDENTIAL~~
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E.O. 12356, Sec. 3.4

NLJ 93-372

By CL, NARA, Date 5-22-95

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The Secretary of Defense
Washington, D. C.

Identical letters sent to each addressee of NSAM 349. (Except Sec State)

cc: ~~W. H.~~ Files
NSC Files ~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

June 3, 1966

11
DECLASSIFIED

E.O. 12356, Sec. 3.4

NJ 93-372

By CG, NAKA, Date 5-22-95

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Enclosures

The Honorable
The Secretary of Defense
Washington, D. C.

Identical letters sent to each addressee of NSAM 349. (Except Sec State)

cc: W-H Files
NSC Files ~~CONFIDENTIAL~~

12

~~CONFIDENTIAL~~

June 3, 1966

Dear Mr. Secretary:

You are familiar with the study "Frontiers of South America" which I prepared at the President's request while I was still Chairman of the Policy Planning Council. A copy of the final product, which I went over carefully with Linc Gordon before going to print, is enclosed.

The President has now reviewed the study and directed that further work on the proposals it contains move forward without delay. He has approved the enclosed National Security Action Memorandum No. 349 outlining how he wants us to proceed.

Sincerely yours,

W. W. Rostow

The Honorable
The Secretary of State
Washington, D. C.

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 93-372
By ig, NARA Date 8-7-96

Enclosures

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

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The Honorable
The Secretary of State
Washington, D. C.

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 93-372
By ig, NARA Date 8-7-96

Enclosures

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

47
14

May 27, 1966
Friday, 2:15 p.m.

Mr. President:

That long-winded fellow who used to work at the State Department Policy Planning Council has, at last, filed his analysis of the development of South American Frontiers. I recommend you read the underscored part of his memorandum to you; the summary paper full of maps and charts; and thumb through the appendices.

It has been fully cleared with Tom Mann and Link Gordon.

WALK.

Mr. President,

Because of their bulk, the attachments are in a separate envelope and on your bedside table marked

Attachments to May 27
memo from Mr. Rostow.

mjdr
May 27, 1966

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

~~CONFIDENTIAL~~

Friday, May 27, 1966

14a

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Frontiers of South America

On January 31, 1966, you requested that I undertake urgently a preliminary assessment of the potentialities of developing the frontiers of South America.

I attach a summary report and seven appendixes. In addition, there is included a special report developed by the Department of the Army's Engineer Agency for Resources Inventories.

These represent the present state of thought and knowledge in the town. They have been assembled to provide a foundation for future systematic work. None can be regarded as definitive.

In compiling the data and writing the report, I have received the wholehearted support of every element in the government with interest in and knowledge of the problem:

Agency for International Development
Department of Agriculture
Department of Commerce
Department of Interior
Department of the Army
National Aeronautics and Space Agency.

This is, I believe, the first time this problem has been systematically examined in our government. It is evident that there is much more for us all to learn; and my first recommendation is that, under Linc Gordon's leadership, work on this problem be made a continuing account and that the various agencies capable of making a contribution continue to expand and refine their knowledge on a coordinated basis. A working party operating under the Latin American IRG might perform this function.

In addition, CIAP should set up a working group that would regularly engage the IBRD, IDB, AID, and the OAS in this field.

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Authority NLS87-98
By DUS, NARA, Date 9-12-96

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What emerges of substance may be briskly summarized as follows:

1. South America is at a stage of historical evolution where the further development of its frontiers can contribute to food production, a widening of markets, regional integration, and the settlement of various bilateral disputes.
2. A rational program for exploiting these frontiers must be geared to other aspects of South American development, with careful attention to the comparative benefits to be derived from intensive investment in existing areas as opposed to extensive investment in expanding the frontiers. The opening of the South American frontiers has an important role to play in the region's future; but it is not a panacea.
3. There are four major complexes which comprise the bulk of the frontier regions of South America capable of rational economic exploitation from the present forward.
 - The Darien Gap area of Panama and Colombia;
 - The Andean Piedmont, running in an irregular narrow belt for 3,000 miles from the Venezuelan border through Colombia, Ecuador, Peru, to the Santa Cruz region of Bolivia;
 - The Campo Cerrado area, east and south of the Amazon basin;
 - The Gran Chaco and Gran Pantanal region covering portions of Bolivia, Paraguay, Brazil and Argentina.

There are special further potentialities in the tropical flood plains of the Amazon; the Guayana region of Venezuela and British Guiana; the linking of Buenos Aires to the whole region south of Rio-Sao Paulo; and the River Plate drainage system.

The character of all these regions are briefly sketched in the report.

4. There is little prospect in sight for the economic exploitation of the vast Amazon-Orinoco basin unless the proposal for making it a lake (by damming the rivers) should prove feasible.

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5. As the survey of seventy-four projects under way or envisaged indicates (Appendix I), there is now a great deal of activity focused on the opening up of the frontiers; and it is generally following a rational pattern. The task for policy in Latin America is to make the expansion of the frontiers more effective and purposeful.
6. A political point of some importance: the opening up of these frontier regions could, in a number of South American countries, strengthen the sense of nationhood and contribute to political and social stability. Moreover, notably in the Andean piedmont, but elsewhere as well, the laying out of roads and organized settlements is a significant element in preventing the possibilities of Communist insurgency.
7. Detailed recommendations are set out in Part Four of the attached summary report. Briefly, they are:
 - The Darien Gap complex be urgently examined as a whole, notably in the light of our Panamanian negotiations. Its various elements have been hitherto treated separately.
 - We maintain a policy of selective but continued support for road-building in each of the four countries engaged in opening up the Andean piedmont. (The report isolates the road segments judged most rational for the next phase.)
 - We assign specific responsibility to Linc Gordon quietly to explore the possibility of exploiting work on multinational projects to ease or settle the major outstanding bilateral quarrels in South America.
 - We clarify our minds on the economics of frontier settlement in the light of recent experience and establish Alliance for Progress policies based on this review. No serious agreed guidelines now exist.
 - We examine urgently on an interdepartmental basis, perhaps under the aegis of the SIG, the security and other problems involved in a systematic use of orbital remote-sensor measurement of land and geological formations in South America, providing you with a report. These methods could accelerate rapidly mineral discovery and exploitation, notably in the Andes.

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-4-

- We intensify our support for your proposal, via CIAP, for accelerated development of chemical fertilizer production in Latin America.
- We set up both within the CIAP framework and within the U.S. Government continuing systematic work on the development of the South American frontiers.
- CIAP should consider this summer (after the report on multinational projects by the Development and Resources Corporation, headed by David Lilienthal) the publication of materials that would dramatize what is going forward in this field and its potentialities for Latin American development and integration.
- We re-examine (with full attention to our balance of payments position) our present policy on local cost financing of development projects with a view to permitting financing of local costs of certain infrastructure projects as part of an over-all program for opening frontier areas.

If further detailed examination of this study makes sense to you, I recommend that a NSAM be issued assigning responsibility for the task to State -- specifically to Linc Gordon. A suggested draft NSAM for your approval is at Tab A.

You may wish to weave into your statements on Latin America passages indicating an awareness of the frontier development going forward, its potentialities, and your support for it. A possible draft is at Tab B.

Should you (or the Vice President) visit Latin America, you may wish to visit certain selected frontier areas as well as the conventional cities.



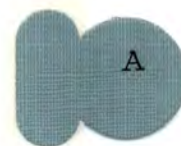
W. A. Rostow

Enclosure

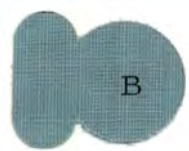
The Frontiers of South America,
with seven appendixes.

~~CONFIDENTIAL~~

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14c



OK, L

14d

Draft Material for Presidential Statement on

Frontier Development for South America

The Alliance for Progress is being carried forward on many fronts. One exciting front is the opening up of the frontiers of South America.

In a world of modern cities, it is good to know there are new lands to open; new mines to find and develop; new deposits of gas and oil to supply energy and chemical fertilizers.

Great enterprises have already been undertaken by the Latin Americans themselves, backed by the resources of the Alliance for Progress. The acceleration of this effort in the months and years ahead could contribute to four great objectives:

- An increase in agricultural production;
- The widening of Latin American markets for industrial products;
- The exploitation of minerals and other natural resources necessary for industrialization and expanded Latin American foreign exchange earnings;
- And, perhaps above all, the binding together in closer association of the Latin American countries themselves.

South of the Panama Canal there is not only the question of a sea-level canal but of the opening up of new productive lands and the re-linking of Central and South America across the Darien Gap.

TRANSFERRED TO HANDWRITING FILE

The 3,000 miles from the border of Venezuela to Santa Cruz in
into
Bolivia stretches/a rich and promising strip of arable land. Already
four South American nations are working together to build a road net-
work which would link these new regions to each other, to the coastal
cities, and to the broad Amazon which reaches from the Atlantic to
the foothills of the Andes. In a great arc east and south of the Amazon
basin there are the lands of the Campo Cerrado capable of develop-
ment for cattle and food. Deep inside Venezuela there is arising the
industrial complex at San Tome de Guayana: its hydroelectric works,
its steel plant, with many other enterprises in sight. There are great
dreams being dreamt in Latin America. We are determined to help
them come true. They will require a new kind of cooperation among
the Latin American countries themselves; for most of these frontier
areas involve more than one nation.

We have already contributed to the formation within the Inter-American
Bank of a Special Fund to finance feasibility studies for multinational
projects. We are already supporting feasibility studies looking to
the completion of the Panamanian highway. We are already supporting
the road building projects necessary to open up the fertile eastern
slopes of the Andes. We are already supporting the study of the soils
of the Campo Cerrado to find ways to make them more productive.

Along with the other dimension of the Alliance for Progress, we are prepared to do more in this field.

14e



15
THE WHITE HOUSE

~~CONFIDENTIAL~~

WASHINGTON

May 31, 1966

NATIONAL SECURITY ACTION MEMORANDUM NO. 349

TO: The Secretary of State
 The Secretary of Defense
 The Administrator of the Agency for
 International Development
 The Secretary of Agriculture
 The Secretary of Commerce
 The Secretary of the Interior
 The Secretary of the Treasury
 The Administrator of the National Aeronautics
 and Space Administration

SUBJECT: Development of the Frontiers of South America

At my direction the Policy Planning Council of the Department of State has prepared a study entitled "The Frontiers of South America," containing a preliminary assessment of the potentialities of developing the heartland of the South American continent. This study provides a foundation for future systematic work. I wish to see the short and long term aspects of the study carried forward expeditiously by all Departments and Agencies concerned.

I have assigned to the Secretary of State responsibility for directing this project, using the mechanism established by National Security Action Memorandum No. 341 of March 2, 1966. Within the framework of NSAM No. 341 and because the project relates exclusively to the Latin American area, it is understood that the Secretary of State will delegate action responsibility to the Assistant Secretary of State for Inter-American Affairs.

CONFIDENTIAL

DECLASSIFIED
E.O. 12356, Sec. 3.4
NLJ 87-98
By rip NARA, Date 9-14-89

~~CONFIDENTIAL~~

-2-

The study should be examined in the first instance with a view to selecting and developing the most appropriate proposals for presentation as topics of discussion at the proposed meeting of Chiefs of State of the American Republics. Subsequent consideration of the study will seek to determine the feasibility of the remaining proposals and establish priorities for their implementation within the over-all program of assistance for Latin America.

A report on the progress made in carrying forward the South American frontiers project is to be submitted to me at six month intervals beginning on December 31, 1966.

A handwritten signature in dark ink, appearing to read "Lyndon B. Johnson". The signature is written in a cursive, flowing style with a prominent initial "L".

THE WHITE HOUSE

WASHINGTON

~~CONFIDENTIAL~~

May 31, 1966

NATIONAL SECURITY ACTION MEMORANDUM NO. 349

TO: The Secretary of State
 The Secretary of Defense
 The Administrator of the Agency for
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Distribution: Mr. Bowdler
Mr. C. Johnson
NSC Files

Dispatched 5/31/66 -- Rcpts nos. 175-182

17
THE WHITE HOUSE

WASHINGTON

~~CONFIDENTIAL~~

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18
THE WHITE HOUSE

~~CONFIDENTIAL~~

WASHINGTON

May 31, 1966

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19
THE WHITE HOUSE

~~CONFIDENTIAL~~

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May 31, 1966

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 and Space Administration

SUBJECT: Development of the Frontiers of South America

At my direction the Policy Planning Council of the Department of State has prepared a study entitled "The Frontiers of South America," containing a preliminary assessment of the potentialities of developing the heartland of the South American continent. This study provides a foundation for future systematic work. I wish to see the short and long term aspects of the study carried forward expeditiously by all Departments and Agencies concerned.

I have assigned to the Secretary of State responsibility for directing this project, using the mechanism established by National Security Action Memorandum No. 341 of March 2, 1966. Within the framework of NSAM No. 341 and because the project relates exclusively to the Latin American area, it is understood that the Secretary of State will delegate action responsibility to the Assistant Secretary of State for Inter-American Affairs.

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E.O. 12356, Sec. 3.4

NLJ 87-78

By mg NARA, Date 9-14-89

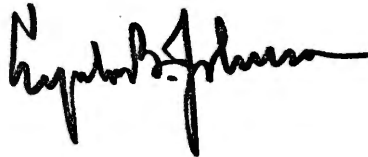
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The study should be examined in the first instance with a view to selecting and developing the most appropriate proposals for presentation as topics of discussion at the proposed meeting of Chiefs of State of the American Republics. Subsequent consideration of the study will seek to determine the feasibility of the remaining proposals and establish priorities for their implementation within the over-all program of assistance for Latin America.

A report on the progress made in carrying forward the South American frontiers project is to be submitted to me at six month intervals beginning on December 31, 1966.

A handwritten signature in dark ink, appearing to read "Lyndon B. Johnson", is centered on the page. The signature is fluid and cursive, with a long horizontal stroke extending to the right.



DEPARTMENT OF STATE
WASHINGTON
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→ cy sent Bowdler
9/12/66
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September 8, 1966

MEMORANDUM FOR MR. WALT W. ROSTOW ←
THE WHITE HOUSE

Subject: Policy Planning Study on Inner-Frontiers
of Latin America

I have reviewed Bill Bowdler's proposals for the "sanitized" version of this paper and considered further the desirability of its international circulation through CIAP or otherwise at this time. The more I reflect on the matter, the clearer it appears to me that it would be undesirable to give it such circulation. I say this despite the very substantial merits of the paper and its stimulating quality as an internal U.S. policy document.

I was given on Wednesday a preliminary version of the Development and Resources (Lilienthal Group) study for the IDB entitled, "Multinational Investment Programs on Latin American Integration." Although the organization of the Lilienthal study is entirely different from the S/P paper, the contents overlap in major respects. We have strongly endorsed -- and restated only yesterday when I signed with Felipe Herrera the amended Social Progress Trust Fund agreement to provide additional funds for the Multinational Project Preinvestment Fund -- the position that the IDB should have the leading oar in determining which specific preinvestment studies to undertake, drawing on CIAP, LAFTA, and SIECA for guidance as to priorities and relationships with the present integration movements. The sending of our study to CIAP now would be regarded as a rival venture to the Lilienthal-IDB project, which could well cause unnecessary irritation without corresponding gain.

More seriously, the specific indication of certain projects

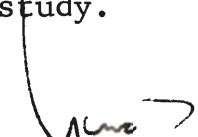
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in the text, and the very long and completely unassorted list in the appendix, would be regarded by interested governments as an indication of a U.S. commitment to participate in eventual financing. Having read through the appendices, I am convinced that no degree of "sanitizing" could make sense of what amounts to a grab bag which requires a great deal of sorting out and analysis before warranting international circulation.

There is also the basic question of desirable sources of initiatives in relation to psychological and financial commitments by the Latin participating countries. For example, the most rewarding of the broad project categories in the S/P study I would guess to be the integrated development of the Rio Plate Basin (which would also include most of the Rio - Sao Paulo - Buenos Aires axis, much of the Chaco and Pantanal, and some of the Campo Cerrado). By far the best way to initiate the conversion of this into a series of meaningful projects would be to generate a multinational expression of interest from the governments of Brazil, Uruguay, Argentina, Paraguay, and Bolivia. This would be very easy to do. Such a procedure would be highly preferable to having them grab on to a band wagon launched in its unilateral wisdom by the United States.

Since the multilateral approach set in motion through the IDB and CIAP was sparked by President Johnson's speech in August 1965, and the President indicated a continuing interest in no uncertain terms in his Anniversary speech last month, I can see significant disadvantages in our getting officially and unilaterally out in front with respect to identification of particular projects. It may prove desirable for the President to refer to some cases at the Summit Meeting itself, and he should certainly be prepared to discuss cases there privately with his colleagues. For these purposes, the S/P study will be very helpful background material. For the reasons indicated here, however, I believe that we should not give formal circulation to the study.


Lincoln Gordon
Assistant Secretary

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