

Despite the Risks

U.S. Capital Still Flowing to Latins

By DAVID L. BOWEN
Of the Associated Press

Last month the governor of the Brazilian state of Rio do Sul expropriated the local telephone company, a subsidiary of IT&T.

He claimed the company provided very poor service. IT&T officials immediately cried foul. Their anger was not addressed directly to the expropriation, which is legal under Brazilian law and not unprecedented in South America or most anywhere else. What infuriated them was the size of the proffered compensation.

Brazilian law says it must be "just." Gov. Leonel Brizola thought \$400,000 sufficient and put up that amount. IT&T officials termed the figure ridiculous and insisted the property was worth \$10 million.

The argument seems destined to become a lengthy and legalistic dispute, with the U. S. State Department doing what it can to induce a fair settlement. The incident, however, draws attention to one of the thorniest areas of relations between the United States and the restless nations of Latin America.

Every economist agrees that Latin America's big need is for capital investment: the money it takes to build factories, improve transportation, create jobs and get an economy spiraling upward. The possible sources of this money are Latin Americans themselves, foreigners willing to invest in Latin America, or aid programs of foreign governments.

The much-publicized "Alliance for Progress"—involving a U. S. government aid of \$20 billion over the next decade—represents the Kennedy administration's determination to increase the flow of capital from the third source. No one, however, believes that Uncle Sam at his most generous could single-handedly generate the economic steam it will take to substantially raise the Latin American level of economic activity or the region's standard of living.

LATIN AMERICANS CRITICIZED

Latin Americans have been criticized for not re-investing more heavily in their own economies and have been urged to better their performance.

And American businessmen are being encouraged to increase their rate of investment; to join Uncle Sam in priming the Latin American pump for the benefit of all and the consternation of Communists.

The stormy petrel of Latin American politics is Fidel Castro. As an expropriator of American property he has few peers. His state economy has absorbed practically all of the \$900 million U. S. business had invested in Cuba before he took over. There have been no serious signs of reimbursement.

If the Castro example spread through Latin America, U. S. businessmen would take a shellacking. On the other hand, if the capital

isn't risked, if U. S. business doesn't actively participate in Latin American development, the resulting lack of progress will only increase the pressures threatening to topple friendly Latin American governments.

In a recent study, marketing and foreign trade specialist John M. Dyer of the University of Miami pointed out that private direct investment is always more successful than government investment. He put the ratio at one to three: "a dollar of private investment achieves the total effect of approximately three dollars of governmental investment."

Despite hazards real or imagined, U.S. private capital has been steadily flowing into Latin America over the last decade. From less than \$3 billion at the end of 1945, U.S. direct investments rose to over \$9 billion by 1961.

INVESTMENTS FLATTENED OUT

Since 1958, however, the pace has slowed. For the past four years the rate of growth of U.S. direct investment has accelerated in Canada and Europe, but flattened out in Latin America.

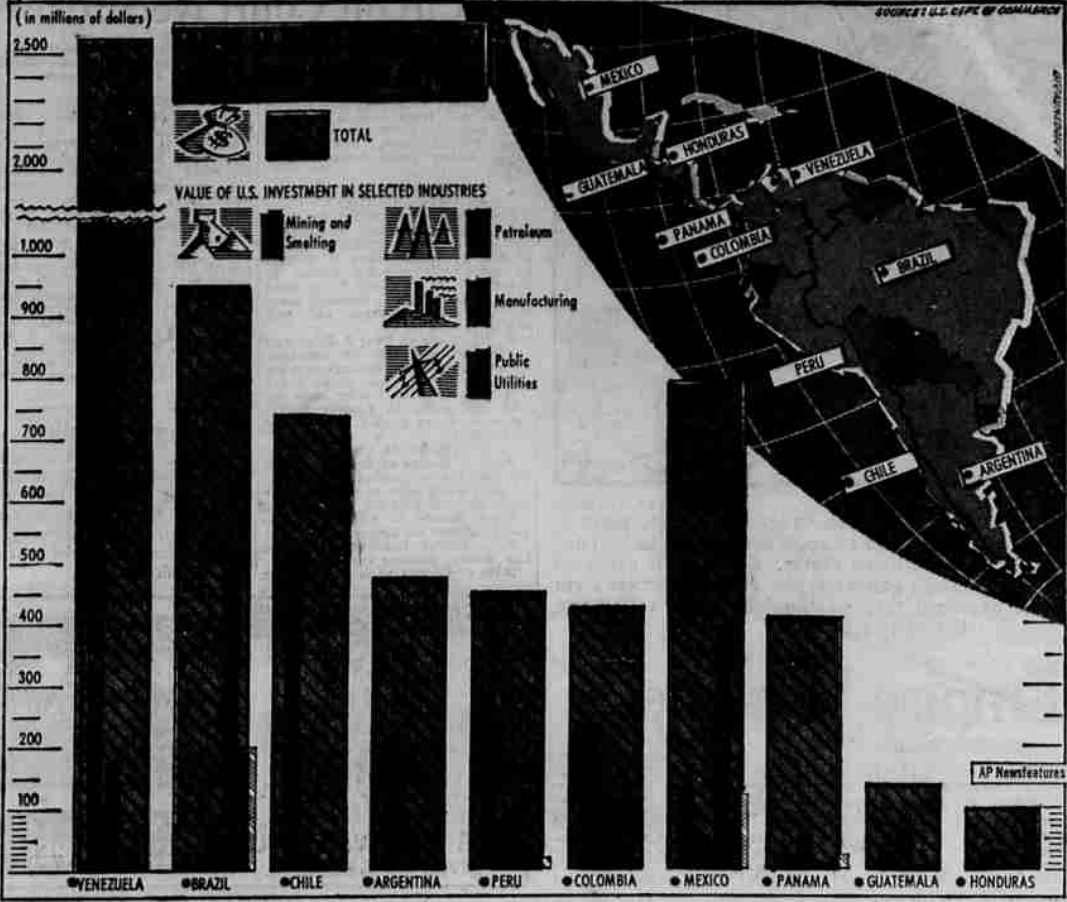
While extractive industries (oil, mining, agricultural commodities) have in the past been most interested in Latin America, manufacturing is taking hold. The size of manufacturing investment jumped 100 per cent between 1950 and 1960 with the fastest growing category in this sector being machinery and automotive equipment.

One of the most frequent charges leveled at American businessmen in South America is that they are there not to assist in the development of the country but only to extract profits. Governor Brizola echoed this sentiment in a news conference after publication of his expropriation decree:

"We in Latin America have two problems holding back our programs," he said. "One is Latifundistas—extreme large landowners—and the other is the foreign economic group or those local economic groups allied with them. Unless we get rid of these groups, the Alliance for Progress will not work—they will eat all the dollars provided for aid, and in less than 10 years, if these problem groups remain, all the dollars will be back in the United States."

American businessmen categorically deny this charge. According to Chase Manhattan, the average level of earnings has been running at a little over 9 per cent of invested capital during the past decade, a rate lower than in most domestic U.S. industries.

Another report, for 1955, puts the total local payments (for wages, rental taxes, etc.) of American-owned companies in Latin America at \$4.3 billion. Total remittances to the investor that year was \$650 million, or a ratio of \$6.6 paid out locally to \$1 paid to the investor.



Third 'Star' Joins Race For Senate

BOSTON (AP)—Another famed name was added Wednesday to the star studded cast seeking a U.S. Senate seat from Massachusetts.

The latest candidate is Harvard history professor H. Stuart Hughes, 45, grandson of the late Chief Justice Charles Evans Hughes.

Hughes said he will announce his candidacy next week as an independent.

His grandfather was the Republican nominee for president in 1916. Hughes said he "had been a Republican but more Democrat than anything else."

In the race for the Democratic nomination are Edward M. Kennedy, the President's youngest brother, and Massachusetts Atty. Gen. Edward J. McCormack, nephew of House Speaker John W. McCormack, D-Mass.

George Cabot Lodge, son of former United Nations Ambassador Henry Cabot Lodge, is seeking the Republican nomination as is U.S. Rep. Lawrence Curtis.

Hughes said he hopes to make his candidacy a forum for his views of world disarmament and peace.

"I believe in the United States taking independent steps to disarmament and peace," he said.

Hughes, a native of New York, is a 1937 graduate of Amherst College. He earned master and doctor degrees at Harvard.

PENNEY'S 60th ANNIVERSARY

60 Years leadership in knowing what men want in work clothes... You can depend on Penney's!



SHORT SLEEVE SWEAT SHIRTS ONLY

Small, Medium, Large, X-Large

1.69

This fashion sweatshirt has a new look pocket. Penney styled for a summer of comfort on the job or off. Long wearing cotton with snug fit sleeves and waist. Colors! Machine washable.

FOREMOST® DENIM JEANS

Trim Style 29-36 298

Sturdy 13 3/4 oz. cotton denims... built to take rough wear, western styled for top comfort! Check the extras... rugged boat-sail drill pockets, heavy duty zipper fly, double needle stitching, reinforced, Sanforized®. Machine washable.



SPECIAL BUYS!

- MEN'S WHITE WORK HANDKERCHIEFS Generous size, 13 for \$1
- MEN'S COTTON CANVAS GLOVES Small sizes for women's gardening, too 5 for \$1



MEN'S BRIEFS AND SHIRTS 3 for 2.55

Big value in this double-seat brief and cotton knit athletic shirt. Shirts 36-46, briefs 30-44.



PAYDAY® DENIM BIB OVERALLS 3.49

Union made 11 3/4 oz. overalls have special pockets, square back, Sanforized®. Sizes 30-50.



CARPENTERS' WHITE OVERALLS 4.98

Sturdy denim, made to wear. All the pockets you want and need. Sizes 30-46.



PAINTERS' WHITE OVERALLS 3.49

Sanforized® machine washable. Long-wearing cotton denim. Styled right. Sizes 30-46.



STURDY TWILL WORKSUIT 4.98

Sanforized® cotton twill worksuit in grey, white, gold or blue stripe. 36-48, short, regular, long.

CHARGE ALL YOU NEED NOW AT PENNEY'S... WORK CLOTHES—DOWNSTAIRS

G & S Celebrate 29 Years of Service and Bring You This Great

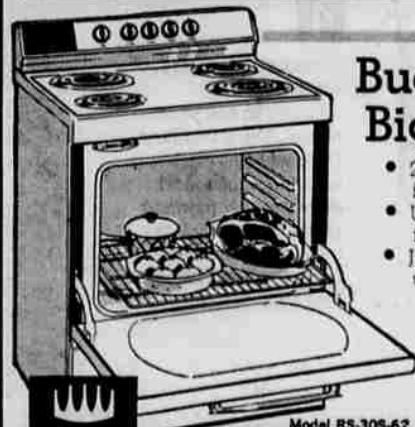
FRIGIDAIRE Silver Anniversary Sale

OF ELECTRIC RANGES! FREE COFFEE SERVICE!



to range purchasers... It's a silver celebration for Frigidaire Ranges. And you're invited. New '62 Frigidaire Ranges are priced even lower than prices 25 years ago! And when you buy, you get FREE this Wm. Rogers Coffee Service by International Silver!

HURRY! THIS OFFER IS LIMITED!



Budget Price for a Big Oven Range!

- 23-inch wide Frigidaire Even-Heat oven for holiday meal-making!
- Unlimited surface unit heat settings—from SIMMER to HIGH.
- Jumbo storage in glide-out removable utensil drawer.

\$148.88 With Operating Trade

\$189.95 without trade



BACKED BY 29 YEARS OF CUSTOMER SATISFACTION

Since 1933

Two Convenient Locations



Appliances EUGENE 136 E. Broadway DI 4-5248 SPRINGFIELD 216 Main RI 7-3361

That Frigidaire Touch! Dependability Styling Craftsmanship Engineering

See the Entire FRIGIDAIRE Family of Appliances for 1962