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SECRET

OFFICE OF THE PREMIER,
PUBLIC BUILDING,
GEORGETOWN,
BRITISH GUIANA.

16th April, 1963.

Dear Mr. President,

It will be recalled that as a result of my talks with you and U.S. Government officials in October 1961, your Government in response to my request for aid, undertook to take the following steps:

- (i) To provide as early as possible in consultation with the British Guiana Government, and unilaterally or in cooperation with Hemisphere organisations, economists and other experts to assist the Government of British Guiana to bring the most modern economic experience to bear upon the reappraisal of its development programme.
- (ii) To provide technical assistance for feasibility, engineering and other studies concerning specific development projects.
- (iii) To determine as soon as possible after the steps mentioned in paragraphs one and two, and on the submission of suitable projects within the context of the British Guiana Development Plan, what assistance the U.S. can give in financing such projects, taking into account other U.S. commitments, available financial resources, and the criteria established by applicable legislation.
- (iv) To expand its existing technical assistance.

2. In the period since my visit, U.S. technical assistance has been expanded, and feasibility and engineering studies for certain specific development projects are in train. On the other hand progress with the reappraisal of the development programme has been far less satisfactory. Following on the cancellation of its proposed visit early in February, the Economic Planning team led by Mr. Harry G. Hoffman eventually visited British Guiana in May of last year. It is now very nearly a year since the visit of that mission but I have so far been unable to obtain any certain information regarding the progress of its report. (It is understood however that when the A.I.D. Desk Officer visited British Guiana two months ago he stated in a newspaper interview that the Mission's report had then been sent to the printers). I am naturally anxious about the fate of the Hoffman report as it appears that U.S. assistance in the financing of development projects is conditional on the completion of it.

3. My request for aid in October 1961 was only the latest request of the many made over the years for U.S. assistance with development projects. Early in 1958, an application was made to the Development Loan Fund (DLF) for aid for financing road and drainage and irrigation projects. I visited Washington in the summer of 1958 and 1959 and held talks with Officials of the World Bank and U.S. Government Agencies. At a meeting with State Department Officials in 1959 in Washington, I was told that a sum of about \$6 to \$8 million (U.S.) would be made available to my Government toward the cost of the construction of an interior road from Parika to Lethem. Such aid did not in fact materialise. A request was also made to the Commodities Division Office of International Resources in the State Department to see if this country's imports of flour and

stockfeed from the U.S.A. (\$3.5 million U.S. per annum) might be given under United States Public Law 480 and the proceeds of the sale used for development projects. This request was turned down as it was explained that any assistance under the law must be over and above the existing volume of imports. The Export-Import Bank was then asked to assist with the financing of equipment for a flour mill and a feed mill but the response was not encouraging.

4. At one stage a U.S. A.I.D. Official in British Guiana indicated that economic assistance might be forthcoming for a Land Reclamation Project (the Tapacuma Drainage and Irrigation Scheme). But later, when the Project Report was ready my Government was informed that assistance was not likely to be available because of possible Congressional objections to a scheme which would be solely devoted to the cultivation of rice, a commodity of which the U.S. had a large surplus.

5. An application to the Export-Import Bank in June 1961 for rice milling equipment - cleaning, drying and storage - amounting to about \$2 million B.W.I. has not yet been considered.

6. It will thus be seen, that leaving technical assistance aside, valuable though such assistance is, my efforts to obtain U.S. assistance have so far yielded little material result. It was against a background of growing unemployment and lack of adequate overseas assistance that I resolved on my return to British Guiana from the U.S.A. in November 1961, to embark on a programme of fiscal reform designed to mobilise local resources for development. I was encouraged in this step by the fact that the criteria for AID assistance appeared to stress self-help efforts by the less developed countries themselves. I had noted that it had been stated in the Summary Presentation of an Act for International Development, 1961 (page 14) that the major areas of self-help include "The effective mobilising of resources. This includes not only development programming, but also establishing tax policies designed to raise equitably resources for investment; fiscal and monetary policies designed to prevent serious inflation; and regulatory policies aimed to attract the financial and managerial resources of foreign investment and to prevent excessive luxury consumption by a few."

7. Unfortunately this self-help or austerity budget was used as an excuse for disturbances inspired by opponents of the Government. These disturbances have since been thoroughly investigated by a Commonwealth Commission of Enquiry and it is worth recording the views of that Commission on the Budget: "It will be seen" stated the Commission on page 15 of its report "that there was nothing deeply vicious or destructive of economic security in the budget. It had been drawn up on the advice of an experienced economist, who could not be said to have any Communist prepossessions. The budget won immediate approval from many persons. The New York Times said in an editorial that the budget was courageous and economically sound. The London Times in a leading article observed 'The immediate problem for the Prime Minister, Dr. Jagan, is how to win some acceptance for his economic proposals which are courageous and certainly not far from what Guiana must have.' Sir Jock Campbell, Chairman of Booker Bros., the largest industrial and agricultural concern in British Guiana, said 'It clearly was in intention a serious attempt by the Government to get to grips with the formidable economic problems of the country by a hard programme of self-help. It was radical - what have the people of British Guiana got to be conservative about - but not confiscatory.' Senator Anthony Tasker, Chairman of Bookers Group Committee in British Guiana, gave his own opinion about the budget by saying 'We assessed it as a realistic attempt to grapple with the economic problems of British Guiana.'

8. I venture to suggest that an objective consideration of these Budget proposals and the overall programme of my Government leads to the conclusion that they meet, to a high degree, the criteria which have been laid down by your Government for disbursements under the Alliance for Progress:

- (a) Long range plans based on the application of programming techniques must be drawn up for both private and public sectors:

My country as compared with many under-developed territories has had a comparatively long history in the planning of economic development. A development programme prepared as long ago as 1948 by the then Economic Adviser to Government the U.K. economist Col. O.A. Spencer, introduced ideas which later influenced planning within the Caribbean region and exercised a considerable influence in other British Colonial territories. In 1952-1953 a Mission from the World Bank considered afresh and reported on the problems of the economic development of the territory. Then in 1959 a Cambridge University Economics Don, Mr. Kenneth Berrill, at the request of my Government, advised on the preparation of the Development Programme which is now in progress. My Government has also had from time to time the benefit of the advice of many distinguished economic experts who have visited for short periods. It will thus be seen that the Hoffman Mission is only the most recent study of our economic problems.

- (b) The fiscal system should be reformed both in order to increase the level of tax revenue in relation to national income and to make the tax structure more progressive. At the same time the machinery for the collection and assessment should be completely overhauled:

This was what the budget of 1962 mainly sought to do. It is also to be noted that this budget reflects the major conclusions reached at the Conference on Fiscal Policy held in Santiago, Chile last December and which was attended by fiscal experts from all over the Americas. In a release made in Washington by the Pan American Union Secretariat of the Organisation of American States it was stated among other things that it had been agreed that the reform of Latin American tax system should include progressive personal income tax which included the taxation of capital gains both on mobile and immobile property, complemented by a net wealth tax where feasible and the strengthening of a system of inheritance and gift taxation. Those recommendations also envisaged the establishment of an objective and coordinated system of tax administration - all features of my 1962 Budget. This budget also proposed a number of measures including Pay-As-You-Earn which were calculated to improve the efficiency of tax collection and to prevent tax evasion. Although certain of the budget proposals were subsequently withdrawn the present position is that all the fiscal requirements mentioned have been met.

- (c) Measures should be instituted to increase domestic savings and these should be applied to productive investment:

The budget already referred to introduced a National Development Savings Levy. Under this scheme, persons earning more than \$300 a month (a better than middle class salary) are asked to

contribute 5% of that part of their incomes above \$300 to a National Savings Scheme. The Scheme also applies to companies which contribute 10% of their income before tax. The monies which accrue in this way are safe-guarded by being directly chargeable on the revenues and assets of the country, and are being put into development fund and drawn upon for the financing of concrete and high earning schemes calculated to have an immediate impact on development, especially in the urban areas.

- (d) Certain basic social reforms must be implemented such as the breaking up of large latifundia - the old plantation type economy - for the purpose of distributing unused or under-utilised land to peasants who will be required to put the land to good use:

Since 1957, my Government has succeeded in persuading the foreign owned sugar companies to release some of their non-utilised lands leased from the Crown. Attempts are still being made to secure additional lands for use by individual farmers. The distribution of unused land to individual farmers is one of the objectives of my Government and has been pursued constantly. Nevertheless, the problem in this country is not one of maldistribution but of lack of financial resources to bring undeveloped land into cultivation.

- (e) Development programmes should lay as much stress on improving the quality of the people, for example by expenditure on education and training as on increasing the stock of physical capital:

My Government is now embarked on an educational programme which aims at promoting a national system of education which will provide all Guianese with the opportunity of developing their educational and personal potential and of sharing in all the educational facilities available regardless of race, religion or economic circumstances. To this end the educational system is being reorganised - so as to provide for secondary and university education, after the pattern of your own country, for all who can benefit from it. My Government has also gone a long way towards providing health facilities throughout the country and a start has been made in certain areas on the provision of free medical services for the people.

- (f) Democratic regimes in Latin America should be encouraged:

I have achieved power in the political life of my country by virtue of three successive General Elections which my Party won. I have often stated and now wish to re-affirm my adherence to parliamentary democracy by which I recognise the rights of opposition parties, freedom of speech, freedom of worship, regular and honest elections, an impartial judiciary and an independent public service. The draft constitution which my Government proposed for an independent Guyana specifically provided for the protection of the rights of citizens by the Courts of Law along the lines enshrined in the U.S. Constitution and moreover provided for the impartial conduct of elections and the review of boundaries of constituencies by an Electoral Commission. On this point may I venture to remind you of remarks ascribed to you in a U.S.I.S. release of the 7th December, 1961. In the course of your interview with the Editor of Izvestia you are reported to have said ".....the United States supports the idea

that every people should have the right to make a free choice of the kind of Government they want.....Mr. Jagan.....who was recently elected Prime Minister in British Guiana is a Marxist, but the United States doesn't object because that choice was made by honest election, which he won."

(g) Aid should be guaranteed over the period of the plan:

I have long supported this idea as it is only on this basis that the Government of any under-developed country can plan development on sound lines.

Trade Policy:

9. As the trade policy of my Government and its attitude to private enterprise has been widely and deliberately misrepresented in the U.S.A. I should like to deal briefly with these subjects. I am aware that the thinking which inspired your Act for International Development recognised the trade problems of the less developed countries. Thus on page 25 of the Summary Presentation already referred to, it is stated inter alia:-

" Export capacities of most of the less developed countries are limited. In many cases, especially in Latin America and Africa, exports are heavily dependent on one or two primary products of either agricultural or mineral origin. For most of these products, world markets are expanding only slowly. The prices of these products, are subject to volatile fluctuations which greatly affect the exchange available to producing countries. In some instances, there appears to be a long-range trend for prices of primary commodities to fall in comparison with the prices of the industrial goods for which they must be exchanged. Moreover, the advance of science and technology presents for some commodities the prospect of displacement by synthetics (as had happened in some measure for rubber) or competition from substitutes."

It is these considerations which compel nations such as my own as a matter of economic necessity to seek markets or capital equipment wherever they may be obtained most advantageously. Such trading arrangements do not mean however that my Government has become part of any international conspiracy.

Attitude to private enterprise:

10. My Government is committed to a mixed economy in which private and public enterprise would exist side by side as is the case with India. For reasons inherent in the nature of this country, my Government must enter as quickly as possible into the industrial sector of development, either alone or in joint ventures with private enterprise. It is however the policy of my Government to give protection where necessary to new undertakings both public and private, in order to make them viable and competitive.

11. The expropriation of private property is not in my Government's programme. The provisions for safeguarding the Fundamental Rights in our present Constitution and in the Constitution for an independent Guyana will provide adequate protection for private property.

12. On nationalisation, no Government can tie its hands but it is not our intention to nationalise the bauxite and sugar industries. I am also prepared to guarantee that if any private enterprise should be nationalised there will be adequate and fair compensation to be decided by the Supreme

Court of Law in cases of dispute as laid down in the Constitution.

13. A United Kingdom Trade and Industrial Mission led by the English Industrialist Lord Rootes, which visited British Guiana in 1962 concluded that:

" On the political front, there is no exceptional risk to be faced by industry in British Guiana beyond that of nationalisation inherent in any socialist country. It must be said also that sound reasons can be found in the condition of the country for Dr. Jagan's concept of a mixed economy, with the Government providing some of the initiative in development."

14. Again as recently as March this year, Sir Jock Campbell, Chairman of Booker Bros. McConnell and Company Limited, a group of companies which represent one of the larger investments of private capital in this country, while on a visit stated that he saw no danger of a Communist dictatorship being established in British Guiana. He was confident that the Premier, Dr. Jagan had no intention of setting up such a dictatorship and further, that the conditions were not present in British Guiana to make a communist dictatorship viable. "I do not believe", Sir Jock Campbell said, "that there is a corrupt Government now in British Guiana against which the people will rebel and I do not think that the people can feel that they will be better off if there was a Communist Government." He added, however, that he did not think the people of British Guiana would vote for a Government whose stated policy was to pander to private enterprise,

15. In my country, we are now embarked on the creation of a just society based on the ideas and forms most suitable to the needs of this country and which would enable its citizens to develop themselves to the full in a free country. We have nothing to hide. Because of hostile, uninformed and unsympathetic speeches and comments made in the U.S. Congress and press, I have already invited through your Consul-General in Georgetown, members of Congress and of the press to visit from time to time. Such visits would be welcome. I cannot but think that the American people who first began that revolution in social and political thought which still moves our world will find sympathy with the ideas and aspirations of my people and Government.

16. As I am sure you are aware, a Government such as mine has inherited the problems of poverty and under-development which are characteristic of colonial territories. To these problems have been added the problem of a high post-war population growth. In the face of growing unemployment and all that it means in discontent and the waste of human resources, the political Opposition and other local leaders hostile to the Government have openly charged that U.S. assistance will not be forthcoming once my Government remains in office. The long delay in the completion of the Hoffman Report has tended to lend substance to this charge. In addition, the Trade Union Congress which on the whole aligns itself with the political Opposition has recently announced that it has been able to arrange substantial assistance for a housing scheme through the American Institute for Free Labour Development, a body which, one senior local Trade Union Official stated in a broadcast derives the major part of its funds from the Agency for International Development. Earlier a generous Scholarship Scheme announced by the U.S. Consul General had apparently been designed to bypass my Government which had not been notified or taken into consideration.

17. These are only the most recent of the series of events which have created the impression that your Government is unwilling to assist the

presently elected Government of this country and has served to embolden the Opposition to embark on irresponsible courses which are aimed at the forcible overthrow of my Government and which are likely to undermine the future of democratic government and the maintenance of peace in this country.

18. Thus, U.S. citizens, Dr. Schwartz and Dr. Sluis openly interfered in the domestic affairs of the country during the 1961 election campaign when they supported the Defenders of Freedom and the United Force. They later admitted spending the sum of about \$76,000 B.W.I. during this campaign. (It is to be noted that Section 53 of Cap. 57 - the Representation of the People Ordinance 1957 - limits the expenses which may be incurred by a candidate to \$1,500 and there were only 35 seats). Dr. Sluis visited British Guiana six times between 21st February, 1961 and 26th April, 1962, including a two-month visit just prior to and during the 1961 Elections.

19. You will recall that I complained to you about the activities of U.S. Government Information Services during the 1961 election campaign when film shows were held at street corners. The U.S.I.S. had never before arranged for such shows in the public. These film shows high-lighted anti-Castro and anti-communist propaganda. It happened that this line of propaganda coincided with the smear campaign then being conducted against the Government by the Opposition.

20. While no economic assistance was given to the Government, the impression was and is still being created in the country by Mr. Peter D'Aguiar and the United Force that they will be able to secure substantial financial assistance from the U.S. Government. During the election campaign the United Force cited a figure of one billion dollars, half a billion dollars as loans to the Government for "infra structure" development and half a billion for industrial development by private U.S. investors. So far as I am aware, these statements met with no denial from your Consulate-General, or any other U.S. official.

21. Press reports had stated that Dr. Claude Denbow, President of the League of Coloured Peoples and close associate of the People's National Congress had contacted, during a visit to the U.S.A. immediately prior to the 1961 August elections, a group of prominent Guianese professional men now resident in New York, some of whom had interviews with State Department Officials at which, it was reported offers of assistance were made to help the Opposition to "liberate" British Guiana from my Government.

22. Since the elections it appears to be the policy of the United States State Department to refuse visas to members and known supporters of the governing party, People's Progressive Party, who wish to visit the United States. This has been the case even with well known and eminently respectable members of the business community.

23. I cite these observations because I share your deep concern not only about the problems of world poverty but also of the growing tendency of the usurpation by reactionary elements of the democratic rights and liberties of free peoples. I am sure you would not want it said that in British Guiana, the objectives of your administration were not being realised and fulfilled.

24. In the light of the points made above I shall be grateful if urgent consideration may once again be given to the question of what assistance may be made available for the financing of development projects.,

25. I have noted that you have been able in spite of the heavy burden of your office to visit a number of Latin American countries, so as to meet their people and to find out at first hand about their problems. I am aware that my own small country must rate low on the scale of priorities, but my Government nevertheless wishes to invite you to visit this country as soon as may be convenient to you. In the meanwhile my Government wishes to invite your personal aide, Mr. Arthur Schlesinger Jr. who I understand has been entrusted with the study of the problems of this country to visit us as soon as possible.

Yours sincerely,

(Sgd.) Cheddi Jagan

Premier.

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