

## ABSTRACT

### THE "LOST" CONFERENCE:

The Economic Issue in United States-  
Latin American Relations, 1945-1957

By

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During the years immediately following World War II, the war-time closeness between the United States and Latin America declined sharply. There was a whole complex of reasons for this deterioration. But an obvious element in it was a post-war failure to agree on an inter-American economic policy. This policy, explicitly, was to be developed at an inter-American economic conference. Such a conference was first proposed in 1942. But it was postponed repeatedly, finally occurring--and failing--in 1957. It became known, in a phrase used by Carlos Dávila, as the "lost" conference.

But the interest in a new economic relationship was so keen, particularly among the Latin American nations, that discussions of economic matters dominated the "political" inter-American conferences of the post-war era. Although two distinctive economic agreements which theoretically would have governed all hemispheric trade and

development were prepared, full agreement on them never was reached. The differences in economic thinking could not be bridged.

Through the medium of the proposed economic conference, this study seeks to trace the "economic issue" during the period 1945-1957. Although most of the basic attitudes were well defined as early as 1945, the 12 succeeding years saw some shifts in emphasis both by the Latin American nations and by the United States. In general, however, the United States refused to accept a "special relationship" which involved definite trade and aid preferences for Latin America. The Latin American nations, collectively, rejected commitments relating to private investment. There was a stand-off between nationalism and globalism, to the detriment of inter-Americanism.

In methodology, the study has used the economic resolutions approved at the major inter-American conferences, 1945-1957. These include the Conference on Problems of War and Peace in Mexico City, 1945; the Conference for Continental Peace and Security, at Rio de Janeiro, 1947; the Ninth International Conference of American States in Bogotá, 1948; the Fourth Meeting of Consultation of American Foreign Ministers, in Washington, 1951; the Tenth Inter-American Conference in Caracas, 1954; and the Economic Conference of the Organization of American States, in Buenos Aires, 1957. The proceedings of the Inter-American Economic and Social Council, both in regular and special sessions, were

consulted. Appropriate studies of the Economic Commission for Latin America also were reviewed, along with contemporary accounts of the conferences.

It is difficult to fix a balance of blame, on the economic issue, for the post-war decline in United States-Latin American relations. On each side, there was dogmatism and some demagoguery, as well as marked inconsistencies of attitude and conduct. But in the long process of jostling for special advantage, mutual benefits which would have come in a strengthened economic relationship were neglected. Latin America progressed, but its hope for still swifter modernization was denied. The United States retained its hemispheric hegemony, but the basis for its leadership eroded. In the struggles around the "lost" conference, each side was a loser.

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Latin American Relations, 1945-1957

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A THESIS

Submitted to  
Michigan State University  
in partial fulfillment of the requirements  
for the degree of

DOCTOR OF PHILOSOPHY

Department of History

1972



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1972

## ACKNOWLEDGMENTS

This study fulfills a ten-year ambition. I became aware, late in the 1950's, that no single work existed on the economic issue in inter-American relations. I resolved then, time permitting, that I would prepare one. But my actual work did not start until 1967, when I entered Michigan State University, with the aim of writing the study as a doctoral dissertation.

The individuals who have shaped my opinions or helped me indirectly in preparing it are too numerous to list completely. But I would be abusive of friendship and respect if I did not mention former Ambassador Merwin L. Bohan; former OAS Assistant Secretary General William Sanders; Brazil's late and beloved Ambassador Fernando Lobo; Teodoro Moscoso, first U.S. Coordinator of the Alliance for Progress; and Robert B. Goldmann, now of the Ford Foundation.

On the academic level, I began work under Professor Charles C. Cumberland, whose interest and warm humanity I can never forget. After his sudden death, Professor Warren Cohen graciously consented to head my doctoral committee, which includes Professors Madison Kuhn and Leslie B. Rout, Jr. Each has made perceptive comments and suggestions.

And last, I am indebted beyond words to my family,

which encouraged me in this belated undertaking, and bore without complaint the sacrifices it has entailed. My wife, Joan, particularly has acted as the most sympathetic and acute of critics.

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## CHAPTER ONE

### THE ECONOMIC ROOTS OF PAN AMERICANISM

It is paradoxical that economics, which helped bring the American nations together in the 19th Century, also served to drive them apart in the mid-20th Century. Over a period of nearly 120 years, they moved toward closer political and juridical relationships. Because these could not be complemented with an equally close and formal economic relationship, in the period 1945-1957, they began to drift apart.

Inter-American relationships, of course, were relatively minimal during colonial times, although New England vessels in substantial numbers engaged in illegal trade in the Caribbean and South America. But the success of the American Revolution, and the emergence of the United States, caused some few leaders in Spanish and Portuguese America to consider the possibilities of moral and material support for their own revolutionary struggles.<sup>1</sup> Generally, these hopes were unrealized.

As the revolutionary era waned, the United States saw advantages for itself in closer relations with the emergent nations to the south. It moved, reasonably quickly, to recognize them. And, with some prompting from the British, it threw over them in 1823 the unilateral mantle

of the Monroe Doctrine, asserting that it would regard as unfriendly any move by European powers to control or oppress them.<sup>2</sup>

Three years later, in 1826, the United States was faced with the problem of more exactly defining its relationships with the Latin American nations. Simon Bolívar had called for a "Congress" of American nations in Panama, and the United States, somewhat belatedly, was invited, as was Great Britain. Each was interested in commercial privileges, as well as the future of Cuba and Puerto Rico. Bolívar himself was nervous about the invitations, fearing both the power of Great Britain and the ambition of the United States.<sup>3</sup>

The invitation to the United States caused controversy in Washington. Should it participate? President George Washington, in his "Farewell Address," had called for the avoidance of political alliances with other powers, while urging commercial interchange with all. Did his advice, recognized as U.S. policy, still hold?

President John Quincy Adams and Secretary of State Henry Clay argued that it did--that no change in policy would be involved in accepting the invitation. Whatever the Latin Americans discussed, they argued, the United States would not enter a political alliance with them. Only after prolonged debate was the sending of a delegation approved. It was instructed to press for equality of commercial privileges.<sup>4</sup>

Actually, the issue did not arise. One of the two U.S. representatives died en route to the meeting, and the other arrived only after the sessions had concluded. The Latin American representatives prepared a sweeping, but futile, proposal for a "Treaty of Perpetual Union, League and Confederation." But the incident served to define further U.S. policy toward Latin America. That policy, applied world-wide, was to stress trade, not politics.<sup>5</sup>

In two succeeding American conferences, at Lima in 1847 and again in 1864, the United States was not officially represented. It was regarded with suspicion, first because of its conflict with Mexico, and later, because of the "filibustering" expeditions of William Walker. Not all of the Latin American states attended these conferences, however. In 1847, only Colombia, Ecuador, Peru, Bolivia and Chile participated, and the 1864 conference saw only the addition of Guatemala and Venezuela. Essentially, both were political convocations, aimed at finding some form of agreement among the Latin American states themselves, with overtones of hostility toward the United States. Their own intense rivalries prevented the development of a purely Latin American union. At each meeting, however, economic matters were discussed. The signing of treaties of commerce and navigation, customs unions and a monetary union all were proposed, but never formally concluded.<sup>6</sup>

James G. Blaine, the adroit politician and perennial U.S. presidential aspirant, in 1881 found the formula which

gave the United States the leadership in a renewed inter-American movement. To the Latin American nations--tortured by their decades of disputes--he promised support for the principle of arbitration. To North Americans, as the price for such involvement, he dangled the possibility of "a large increase in the export trade of the United States."<sup>7</sup>

After a hiatus of eight years, the "International Conference of American States" opened in Washington on October 2, 1889. The agenda called for discussion and agreement on "a definite plan of arbitration of all questions, disputes and differences." It also suggested consideration of an American customs union, uniform customs regulations, uniform weights and measures, protection of patent rights, and adoption of a common silver coin. Blaine, in an opening address as U.S. Secretary of State, further proposed a link of railway systems.<sup>8</sup>

The Washington conference "did not really accomplish much."<sup>9</sup> The Latin Americans didn't like the idea of a customs union, preferring reciprocity treaties. They urged the establishment of an "International American Bank," but provided no machinery for setting it up. They proposed a fast and regular inter-American steamship service, but no joint funds for its operation. But they agreed, however, to form an International Commission of Engineers to study the practicability of a continental railway, and they directed the formation of "The International Union of American Republics," as the parent of a "Commercial Bureau"



which would collect and distribute trade information.<sup>10</sup>

In other words, the chief result of the First International Conference of American States was the establishment of a jointly financed entity which would work exclusively in the economic field. It had no political functions, and could not, of itself, approach the member governments. Its term of life was fixed as ten years, but it could be renewed. This was the start of the Pan American Union.

In succeeding inter-American conferences--Mexico City, 1901; Rio de Janeiro, 1906; Buenos Aires, 1910; Santiago, 1923; Havana, 1928; and Montevideo, 1933--the initial emphasis on economic matters continued, although juridical relationships, some connected with economics, also were discussed. Recommendations and draft treaties dealing with customs duties, customs nomenclature, improvements in transport and communications, regularly featured the decisions of these later conferences.<sup>11</sup>

Gradually, the new entity was given more powers. The Mexico City Conference, in 1901, directed that the Commercial Bureau be managed by a Governing Board, consisting of the diplomatic representatives accredited to the Government of the United States, and with the U.S. Secretary of State as chairman. The Rio de Janeiro Conference, in 1906, authorized it to prepare reports for subsequent conferences, and to "carry into effect" resolutions assigned to it. The Buenos Aires Conference, in 1910, changed the name of the Bureau to the Pan American Union. By 1923, the

increasing work of the Union led the Santiago conference to specify that the Governing Board should have four permanent committees: economic and commercial relations; labor; hygiene; and intellectual cooperation.<sup>12</sup>

The list, notably, did not include political matters. The United States, because its Secretary of State was chairman of the Governing Board, could influence the agendas for the conferences. He so was able to limit discussion of sensitive matters in the political field, such as the Roosevelt Corollary to the Monroe Doctrine. Latin Americans, some intellectuals excepted, were tolerant of this situation. The "new" Pan Americanism, despite its domination by the United States, was too valuable to be challenged or abandoned.<sup>13</sup>

Trade with the United States ran consistently in Latin America's favor. Over the period 1891-1945, in fact, Latin American exports to the United States exceeded imports from there by some \$8.5 billion. So considerable a favorable trade balance helped finance Latin American imports from other areas of the world, and provided some of the funds needed for modernization. The United States was a major market for coffee, sugar and other tropical products, and, especially in the post World War I era, for minerals.<sup>14</sup>

U.S. investments also climbed, from a total of \$308 million in 1897, to \$1.6 billion in 1914, \$2.4 billion in 1919, and \$5.4 billion in 1929. After World War I, the

United States became the chief supplier of capital for Latin America, and its total investments finally passed those of Great Britain and France. During the years of the Great Depression, there were defaults on the bulk of the U.S. portfolio investments, perhaps amounting to \$1.5 billion.<sup>15</sup>

Over the years, the sentiments of sovereignty and nationalism also rose steadily. Through the machinery provided by the periodic conferences, the Latin American nations sought juridical agreements which would limit the power of the United States, or other nations, to intervene in their political affairs because of economic disputes. Even before the turn of the century, the Argentine jurist Carlos Calvo had proposed--in what came to be known as the "Calvo clause"--that foreign property owners bind themselves not to seek the intervention of their governments in economic disputes. In 1901, 1906 and 1910, the Latin Americans both sought and obtained U.S. agreement on a pact calling for arbitration of pecuniary claims, and the United States even supported a mild form of another "doctrine," suggested by José Drago, also of Argentina. It sought to prohibit the use of armed force for the collection of debts. By 1928, the United States had encouraged the preparation of a draft code of private international law, but had refused to sign a section specifying that "no state may interfere in the affairs of another."<sup>16</sup>

But in 1933, the shift from emphasis on economic

matters to political affairs became more pronounced. The United States already was dominant economically in the Southern Continent. It was obvious that a rising political antagonism could endanger economic interests. So, at Montevideo, Secretary of State Cordell Hull agreed to a U.S. commitment against intervention.<sup>17</sup> The era of the "Good Neighbor" began.

At the same time, there was some recognition of the need for a new instrumentality to handle economic matters. The Inter-American High Commission, which had worked through the U.S. Department of Commerce in seeking to harmonize the economic and financial legislation of the American Republics, had been killed by the U.S. Congress.<sup>18</sup> The Pan American Union, of course, remained active in collecting and disseminating certain commercial data, but new demands were being made on it. So the Montevideo Conference heard, but referred to a later special financial conference, a proposal for the creation of an "Inter-American Organization of Economic and Financial Cooperation."<sup>19</sup>

The special conference was never held, although a lesser commercial conference in Buenos Aires in 1935 did make minor resolutions on smuggling and tourist traffic.<sup>20</sup> The proposal for a new financial organization came before the "special" Inter-American Conference for the Maintenance of Peace, held in Buenos Aires in 1936. That meeting, in turn, directed that the proposal be placed on the agenda for the Eighth Inter-American Conference, held in Lima in

1938. There, however, the delegates frowned on the idea of a special economic entity. They directed the Pan American Union "to continue its activities in the field of economic and financial cooperation," broadening them as rapidly as circumstances permitted.<sup>21</sup> At Lima, the delegates also decided that the foreign ministers of the American Republics should meet "when deemed desirable" to consider any economic, cultural or other question.<sup>22</sup>

The outbreak of hostilities in Europe in 1939 was such an "other question," and the First Meeting of Consultation of American Foreign Ministers was held in Panama in September, 1939. The ministers there approved a hemispheric neutrality zone and established a special neutrality committee. They also voted to form an "Inter-American Financial and Economic Advisory Committee" (IAFEAC), with one representative from each nation. IAFEAC, the ministers directed, would have ten specific functions.<sup>23</sup>

These functions, very broadly, gave it the authority to study economic aspects of inter-American relations, including monetary stabilization, a customs truce, the need for an institution for financial cooperation, and new industries. But IAFEAC also was empowered to recommend measures which it considered should be taken. So its powers, in a variety of sensitive areas, went beyond those previously held by the Pan American Union. IAFEAC, truly, had the implicit possibility of directing the formation of a hemispheric economic policy, upon the foundation of fifty

years of growing inter-American cooperation. It was a very significant step forward.



## FOOTNOTES

### CHAPTER 1

<sup>1</sup>See José de Onís, The United States as Seen by Spanish American Writers (New York: Hispanic Institute in the United States, 1952).

<sup>2</sup>See Dexter Perkins, A History of the Monroe Doctrine (Boston: Little, Brown & Co., 1963), pp. 27-64; Samuel Flagg Bemis, The Latin American Policy of the United States (New York: W. W. Norton, 1967), pp. 60-72.

<sup>3</sup>Alejandro Magnet, Orígenes y Antecedentes del Pan-americanismo (Santiago, 1945), pp. 111-131.

<sup>4</sup>Samuel Flagg Bemis, John Quincy Adams and the Foundations of American Foreign Policy (New York: Alfred A. Knopf, 1949), pp. 544-558; Glyndon G. Van Deusen, The Life of Henry Clay (Boston: Little, Brown & Co., 1937), pp. 205-210; James Brown Scott, ed., International Conferences of American States, 1889-1928 (New York: Oxford University Press, 1931), p. ix.

<sup>5</sup>Francis L. Reinhold, "New Research on the First Pan American Congress Held at Panama in 1826," Hispanic American Historical Review, XVII (August, 1938), pp. 342-363.

<sup>6</sup>Magnet, Orígenes y Antecedentes, pp. 214-234.

<sup>7</sup>Scott, International Conferences, 1889-1928, pp. 3-6.

<sup>8</sup>Ibid., pp. 33-34; Robert N. Burr and Roland Hussey, eds., Documents on Inter-American Cooperation, II (Philadelphia: University of Pennsylvania Press, 1955), pp. 33-35.

<sup>9</sup>Bemis, Latin American Policy, p. 126.

<sup>10</sup>The full list of resolutions is given in Scott, International Conferences, 1889-1928, pp. 11-48.

<sup>11</sup>A succinct summary of these conferences is given in Inter-American Institute of International Legal Studies, The Inter-American System (Dobbs Ferry: Oceana Publications, 1966), pp. xxii-xxvi.



<sup>12</sup>Scott, International Conferences, 1889-1928, pp. 92; 172-173; 268-271.

<sup>13</sup>J. Lloyd Mechem, United States and Inter-American Security (Austin: University of Texas Press, 1961), pp. 72-73.

<sup>14</sup>The export and import figures are derived from U.S., Department of Commerce, Historical Statistics of the United States (Washington: Government Printing Office, 1961), pp. 550-553.

<sup>15</sup>The investment figures are those given in U.S., Congress, Joint Economic Committee, Private Investment in Latin America, Hearings before the Subcommittee on Inter-American Economic Relationships, 88th Cong., 2nd Sess., 1964, pp. 442-443, citing Bank of London and South America, Quarterly Review, July, 1963. See also Dexter Perkins, The United States and Latin America (Baton Rouge: Louisiana State University Press, 1961), pp. 111-112, and U.S., Congress, Senate, Committee on Foreign Relations, United States-Latin American Relations, S. Doc. 125, 86th Cong., 2nd Sess., 1960, p. 296.

<sup>16</sup>Scott, International Conferences, 1889-1928, pp. 97; 131-133; 183-184. Arthur P. Whitaker, The Western Hemisphere Idea: Its Rise and Decline (Ithaca: Cornell University Press, 1954), pp. 86-89. Graham H. Stuart, Latin America and the United States, 2nd ed. (New York: Appleton, Century Co., 1928), pp. 27-28.

<sup>17</sup>James Brown Scott, ed., International Conferences of American States, First Supplement, 1933-1940 (Washington: Carnegie Endowment for International Peace, 1940), pp. 121-124; Wilfrid H. Calcott, The Western Hemisphere (Austin: University of Texas Press, 1968), pp. 240-242.

<sup>18</sup>Scott, International Conferences, First Supplement, pp. 472-474.

<sup>19</sup>Ibid., p. 66.

<sup>20</sup>H. Gerald Smith, "Results of the Buenos Aires Commercial Conference," Bulletin of the Pan American Union, Vol. 69 (October, 1935), pp. 778-783.

<sup>21</sup>Scott, International Conferences, First Supplement, p. 169.

<sup>22</sup>Ibid., pp. 235-236.

<sup>23</sup>U.S., Department of State, Report of the Delegate of the United States of America to the Meeting of the Foreign Ministers of the American Republics, Held at Panama, September 23-October 3, 1939, Conference Series 44, Pubn. No. 1451 (1940), pp. 50-53.

## CHAPTER TWO

### "A LABOR ENTIRELY NEW"

When the new Inter-American Financial and Economic Advisory Committee (IAFEAC) held its inaugural session on November 15, 1939, U.S. Under Secretary of State Sumner Welles, who had been the U.S. delegate at the Panama conference, remarked that it was undertaking "a labor entirely new in the annals of the world." The group, he said, "treats of an international committee formed to impel collaboration in the economic life of our hemisphere."<sup>1</sup> He also implied that IAFEAC would be more than just a war-time body, to be disbanded after the conflict. This point was quickly seized upon by Dr. Hector David Castro of El Salvador. When peace came, he said, the group should continue, and contribute to the solution of the economic problems which the American nations would have to face.<sup>2</sup>

Despite such brave rhetoric, however, IAFEAC began with some built-in impediments. The United States, which had proposed that it be established, had wanted a closely-knit five-member body. The group was to be elected by the 21 governments, from candidates "of acknowledged experience and competence in monetary and exchange matters." Instead, the ministers chose to form a 21-member group, one for each nation. The committee was an unwieldy one.

In practice, as the inaugural session made clear, the governments tended to name their ambassadors, or a slightly lesser official, in Washington as their delegates. These, in turn, tended to delegate the work to second or third officials, also regularly on the Washington staff. Instead of a technical economic group, IAFEAC became one in which the economic and political functions were mixed. Its members handled both bilateral and multilateral concerns, to the detriment of the latter.

The enlargement of the committee also resulted in poor attendance at the semi-monthly sessions. In one series of 12 meetings in the pre-Pearl Harbor era, average attendance was only 15 members, although Under Secretary Welles usually presided. In the committee meetings, the record was even poorer. The minutes contain frequent references to the fact that the working groups were unable to proceed because a quorum was not present.<sup>3</sup>

A third difficulty was that IAFEAC, although a separate entity, was loosely attached to the Pan American Union. Theoretically, it could use PAU staff in its work, and so had no staff of its own.<sup>4</sup> It did, however, have a separate budget, but this was never large. As late as 1942-43, expenditures amounted to only \$13,374.<sup>5</sup> Naturally, the lack of staff and funds hampered its evolution into an effective multilateral body. Nevertheless, it did perform some useful work, especially before Pearl Harbor.

The first of its endeavors was the preparation of

a formal proposal for the creation of an "Inter-American Banking Institution." The draft, actually, was the product of a working group which consisted chiefly of U.S. experts, headed by Harry Dexter White of the U.S. Treasury Department. Under the proposal, the institution would have had a total capitalization of \$100 million. Each country would have purchased shares of \$100,000 each, according to a formula which took into account the value of that country's foreign trade.<sup>6</sup>

Both the U.S. Department of State and the Treasury initially were enthusiastic about the proposed bank. The Treasury, particularly, saw it as an institution which could complement the work of the Export-Import Bank without being involved in negotiations with the Foreign Bondholders Protective Council.<sup>7</sup> Through the Department of State, the bondholders consistently sought to hold government agencies to the letter of the Johnson Act, which forbade loans to countries in total or partial default of debts to U.S. citizens.<sup>8</sup> Another anticipated advantage to the United States was held to be that the Bank could provide technical assistance, without raising the bogey of "dollar diplomacy." It was felt that there would be less danger of defaults because the Bank would be at least partially owned by its debtors. Also, it was hoped that the bank would facilitate the settlement of debts and promote new private capital investments.<sup>9</sup>

Although the creation of such an institution had been repeatedly suggested at inter-American conferences,

the Latin American reaction to the proposal in 1940 was pronouncedly cool.<sup>10</sup> Nine nations indicated that they would not, or could not, participate. Perhaps, in a time of crisis, they were nervous about tying up reserves. Nevertheless, on April 16, 1940, IAFEAC opened the draft convention for signature. By May 13, it had been signed only by the United States, Brazil, Colombia, the Dominican Republic, Ecuador, Mexico, Nicaragua and Paraguay.<sup>11</sup> The Third Meeting of Consultation in Rio de Janeiro in 1942 urged further ratifications, but none were forthcoming. President Harry S. Truman finally withdrew the proposal from U.S. consideration in April, 1947.<sup>12</sup> Latin America had lost an opportunity for an institution which would have been most helpful in the post-war era.

A second IAFEAC endeavor was IAFEAC's involvement in the negotiation and conclusion of an Inter-American Coffee Agreement. Coffee exports which had reached \$233 million in 1938, were hurt by wartime shipping shortages and the British blockade. As Denmark, Norway, Belgium, Holland and France fell, the Latin American coffee producing nations became increasingly concerned. U.S. purchases, although growing slightly, were not nearly enough to make up for the losses in the European market.<sup>13</sup>

In June, 1940, the Third Pan American Coffee Conference met in New York. It considered a price stabilization agreement among the Latin American nations themselves, but this faltered. It was feared that such a move would

stimulate U.S. imports of African coffees.<sup>14</sup> Ultimately, Colombia's Manuel Mejía wrote U.S. Secretary of State Cordell Hull. He asked if the United States would be favorably disposed for cooperation "in the regularization of the imports of coffee." Hull replied that the United States would be, if the interests of consumers could be protected.<sup>15</sup>

With this vague promise, the coffee delegates prepared a price stabilization plan involving import quotas. But rivalries over the size of the respective quotas (Colombia insisted on 20 per cent of the U.S. market) impeded final agreement. So, the Second Meeting of Consultation of Foreign Ministers in Havana, July 21-30, 1940, approved a resolution on coffee. It asked IAFEAC to study the problem and seek to develop commodity arrangements.<sup>16</sup>

In a September IAFEAC meeting, Under Secretary Welles pursued the matter. He said the United States hoped for agreement on quotas among the producing countries. If unanimity on quotas was reached, he said, the United States would support them. With this firmer promise, IAFEAC speeded its discussions. Compromises were made, and in November an Inter-American Coffee Agreement was signed. The United States agreed to take several hundred thousand bags of coffee above its normal purchase levels.<sup>17</sup> The U.S. Congress speedily approved the accord. In 1941, U.S. coffee imports were valued at \$50 million more than in 1940, or an increase of almost 40 per cent. If it had not been

for the agreement, the imports probably would have fallen.<sup>18</sup>

The psychological significance of the U.S. agreement probably was even greater than its economic impact. It allayed some fears that the United States would follow a "business as usual" policy and insist on buying low.<sup>19</sup> Indirectly, the agreement strengthened IAFEAC, since the pact was prepared under its auspices. But an awkward precedent for the United States in the post-war discussions with Latin America was created.

IAFEAC's best publicized endeavor was its reluctant part in authorizing the individual takeover and use of German, Italian and neutral vessels which had taken refuge in Western Hemisphere ports in 1939 and 1940. Initially, some 230 vessels had been interned.<sup>20</sup>

Shipping, of course, had become increasingly critical, as the United States sped material to beleaguered England. If the idle vessels could be freed under some semblance of international law, they could play an important part in maintaining freight service to Latin America. Other shipping could be freed for the Atlantic defense effort.

On March 29, 1941, the U.S. Coast Guard claimed that it had information that the German and Italian crews had received orders to sabotage their ships. The United States quickly assumed protective custody of the 83 ships, totalling 450,000 tons, in its waters. Uruguayan Foreign Minister Alberto Guani then suggested that under a resolution of the Havana Meeting of Consultation, dealing with

hostile acts in territorial waters, the American states might take over the vessels.<sup>21</sup>

After consultations, the Department of State put the matter before the IAFEAC. On April 26, the Committee adopted a resolution recommending the takeover, against later compensation, of interned vessels by the American Republics. It then prepared a plan for the use of the vessels in inter-American trade. The United States, by a special Act of Congress and an Executive Order, noting the IAFEAC action, formally took full possession of the bulk of the interned ships in its waters, as of June 6, 1941.<sup>22</sup>

The other states, however, took action only under persistent prodding by the United States. Peru particularly demurred that the seizure would violate its neutrality laws. But the United States pointed out the indirect relationship between equipment the Latin American nations could expect to receive in late 1941 and early 1942, and how transport shortages might affect such shipments. Member governments were asked to inform IAFEAC of their estimated needs, and their order of priorities for the receipt of such goods.<sup>23</sup>

As a part of this process for the establishment of priorities, as well as to tighten controls on the export of oil to Japan, IAFEAC was informed on September 25 that the United States had formed the "American Tanker Committee." This group would allocate to the "Petroleum Supply Committee for Latin America" the ships necessary for the provision of oil to the other American Republics. The other countries



were asked to form their own "pool" committees, which would determine national oil requirements, and communicate such needs directly to the Petroleum Supply Committee for Latin America.<sup>24</sup>

The effect of the inter-American seizure of the neutral ships, then, was to give IAFEAC, as a multilateral body, a coordinating function in hemispheric economic relations. This, however, was offset by the fact that it had been used as a "cat's paw" by the United States, to secure ships needed for the U.S. policy of shoring up Great Britain.

## II

Still stronger action, however, was indicated if hemispheric production were to be maintained and hemispheric solidarity cemented. The success of the German "blitzkrieg," in the spring of 1940, drove the point home more sharply. New ideas were sought, inside and outside the government.

A fear that the Nazi victories in Europe would lead the individual Latin American countries to come to terms with Hitler produced in mid-1940 an abortive plan for a hemisphere-wide trading cartel. The plan, which resulted from conferences between the Departments of State, Commerce and Treasury, actually was announced by President Roosevelt on June 21. It envisaged consultation with the other American Republics on an inter-American organization which would handle all trade relations with non-American countries. The Latin American reaction, however, was negative,

and U.S. opposition was strong. There was fear of its multi-billion dollar cost as well as of the possibility that it would stimulate competition with U.S. products. So it was dropped.<sup>25</sup>

Almost concurrently, however, another plan was presented. In 1939 and early 1940, Nelson A. Rockefeller and some associates had interested themselves in the problems of Latin America. They prepared a short memorandum on their thinking, and, on June 14, Rockefeller gave Presidential Adviser Harry Hopkins a copy, and discussed it with him. Hopkins was favorably impressed.<sup>26</sup>

Very specifically, the memorandum advocated emergency measures to absorb surplus Latin American products; a reduction or elimination of tariffs to stimulate a free flow of trade; measures to encourage investment in Latin America by private interests and by the government; an expansion and improvement of U.S. consular posts; and a vigorous program to improve cultural, scientific and educational relations. An inter-departmental committee, headed by an executive assistant to the president, could administer the program.<sup>27</sup>

The memorandum was forwarded to Secretary Hull, reviewed by a Cabinet committee, and ultimately turned over to James V. Forrestal, another presidential adviser. On July 9, Forrestal asked Rockefeller to come to Washington to head the program he had outlined. An Executive Order creating the Office of Coordination of Commercial and

Cultural Relations between the American Republics was issued on August 16. Its initial budget was \$3.5 million, but between 1940 and 1946, renamed the Office of the Coordinator of Interamerican Affairs (CIAA), it spent \$140 million. At its war-time peak, it had 1,100 employees, including 300 in the field.<sup>28</sup>

Even while the mechanics of setting up the Office of the Coordinator were going on, the foreign ministers met in Havana, July 21-30. By that time, the idea of a strong central economic organization had been discarded. So the ministers approved a resolution strengthening and expanding the activities of IAFEAC "as the instrument for continuing consultation among the American republics with respect to economic and trade matters." The same resolution affirmed support for "liberal principles of international trade," and said the American nations should be prepared to resume commerce on that basis.<sup>29</sup>

Rockefeller moved swiftly in organizing his new office. Once he had it operating, it completely overshadowed IAFEAC. With clearer lines for action, and U.S. funding, he was able to take charge of activities which theoretically had been delegated to IAFEAC. The real significance of the CIAA, however, was not so much in what it did itself, but in what it prevailed upon other U.S. agencies to do. It became the hornet that stung the frequently lumbering beast of U.S. bureaucracy into actions desired by or beneficial to Latin America.

For example, among its accomplishments, CIAA was credited with: (1) Persuading the U.S. Maritime Commission to give Latin America high priority on shipping lists; (2) Getting the Department of Commerce to modernize its commercial and financial reporting system; (3) Encouraging the National Defense Council to take Latin American needs into consideration in planning U.S. production; (4) Advocating special lines of credit through the Export-Import Bank; and (5) Helping create a special committee on inter-American shipping.<sup>30</sup>

An even more lasting contribution was its formation in March, 1942, of the \$25 million Institute of Inter-American Affairs (IIAA). IIAA set up joint agencies--"servicios"--with host countries in Latin America for work in health, agriculture and emergency rehabilitation. The U.S. identification with social purpose projects dates from the IIAA. By the end of the war, 18 of the 20 Latin American nations had bilateral agreements with the IIAA, and its work was so highly regarded that it was continued.<sup>31</sup>

Another CIAA contribution was its support for the 1943 establishment of a Mexican-American Commission for Economic Development, a joint group of experts who made studies and prepared plans for plant expansion and public works. A short range program involved 20 projects, with \$24 million financing from the United States. A long range program contemplated 59 public works projects.<sup>32</sup> This technique, for a joint technical group, also was used in

the post-war era, notably in Brazil.

Not so successful, however, was CIAA's sponsorship of the Inter-American Development Commission (IADC), which had been set up by IAFEAC on June 3, 1940. IADC showed no signs of activity until late in the year, when Rockefeller arranged funds so that two IADC members, Juan Rafael Oreamuno of Costa Rica and George Magalhaes of the United States, could tour Latin America. With the assent of the governments, five-member national development councils, which were to advise the parent organization, were set up. Actually, the real work was handled in New York, by a five member group headed by Rockefeller, with Oreamuno as vice chairman, and, latterly, the chief executive officer. It operated almost autonomously from IAFEAC.<sup>33</sup>

Oreamuno later recalled that IADC spent approximately \$2 million during the war years. The bulk of its money came from the U.S. War Emergency Fund. Oreamuno said IADC sponsored an inter-American training program which brought Latin Americans to the United States; formed a consultative sales service in New York; collaborated with the U.S. Board of Economic Warfare; and sent various small technical missions to Paraguay, Argentina, Venezuela, Colombia, Peru, Ecuador, Bolivia, Chile, Nicaragua, El Salvador and Guatemala. It also responded to some 80 requests for technical information.<sup>34</sup>

At the time this was going on, CIAA's well-developed press service paid particular attention to IADC. The result

was to give an inflated view of its achievements, and to equate it with the IAFEAC, so much that Oreamuno at one time asked that it (IADC) be treated as an equal organization.<sup>35</sup> Despite this, its achievements and actual organization were thin. It is doubtful, of course, that IAFEAC, with the limited funds at its disposal, could have done more with IADC. But the takeover by CIAA nevertheless spoiled the possibility that its experience could be useful in the post-war era.

### III

After the Japanese attack on Pearl Harbor, and the formal U.S. declaration of war on both Germany and Japan, a Third Meeting of Consultation of Western Hemisphere foreign ministers was called in Rio de Janeiro. At the January 15-28, 1942, sessions, further measures for the protection of the continent, including economic collaboration, were agreed upon.

A key resolution asked the Governing Board of the Pan American Union to convoke an Inter-American Technical Economic Conference. This conference, the resolution indicated, would discuss both existing problems of inter-American economic relations, and those expected in the post-war era. The governments would make proposals for the conference. IAFEAC would prepare the necessary studies. And then, after the governments had commented, the Governing Board would fix the date and place for the meeting.<sup>36</sup>

With this, IAFEAC was placed in a purely technical role. Its attention was shifted from current problems to those of the post-war era, as the United States firmly took over sole direction of policy. More than that, the idea of an economic conference, at which, presumably, all the questions and problems in inter-American relations could be resolved, was formally presented. It was to plague the governments for almost two decades.

Welles, who disagreed on the need for such a conference,<sup>37</sup> appointed an IAFEAC sub-committee on post-war problems. It took almost a year to prepare a work plan, possibly because of the press of war-time business. Only a few governments responded to a questionnaire on topics for conference discussion. These responses, generally, were either very general, or too precise.<sup>38</sup> But the IAFEAC group, sporadically, continued its analyses.

On December 16, 1943, the Governing Board of the Pan American Union authorized Dr. Leo S. Rowe, PAU Director General, to inquire of the governments if it would be convenient to hold the technical economic conference in the PAU, beginning September 6, 1944. The conference themes, the instructions indicated, should be set by March 1, 1944.<sup>39</sup>

After a suggested agenda was circulated, U.S. Secretary of State Hull objected that it was too long. The conference, he said, should "confine attention to broad principles and policies, rather than on details." Also, he added, the definitive agenda might await the decisions

of the United Nations Monetary and Financial Conference, at Bretton Woods, N.H.<sup>40</sup> Tacitly, the September, 1944, date for the conference was dropped, and IAFEAC again reviewed its work.

A new, and shorter agenda was circulated in November, 1944, with a conference date of March 15, 1945, in mind. Topics on this agenda included creation of an international economic organization; disposal of commodity surpluses and equitable allocation of consumer and capital goods; financing of economic development; and elimination of special trade controls.<sup>41</sup>

This agenda made it apparent that there were divergencies between the Latin American nations and the United States on the nature of their economic relations in the post-war world. The Latin Americans were thinking of a highly structured and regulated economic system, which could further their economic development. The United States, on the other hand, was anxious for a return to the "liberal" principles which had prevailed before the war.

Between October 26, 1944, when IAFEAC discussed the documentation for the conference, and January 16, 1945, it did not meet. Even the latter meeting was ceremonial, to honor Nelson A. Rockefeller, who had just been appointed Assistant Secretary of State for Inter-American Affairs, a new post resulting from a reorganization of the Department of State.<sup>42</sup>



Even as Rockefeller spoke, stressing the virtues of free trade and security for investments, attention was focusing on the forthcoming Inter-American Conference on Problems of War and Peace, scheduled to begin in Mexico City on February 21. There, the Latin Americans expected a fuller discussion of their economic concerns.

## FOOTNOTES

### CHAPTER 2

<sup>1</sup>Pan American Union, Actas de las Sesiones del Comité Consultivo Económico y Financiera Inter-Americano, Vol. I, pp. 9-12.

<sup>2</sup>Ibid., pp. 14-15.

<sup>3</sup>Actas, CCEFI, III, p. 1220.

<sup>4</sup>In practice, if material was not generally available, the committee went directly to the U.S. governmental entity involved. Occasionally, of course, a sub-committee itself would ask formally for information, through the Department of State, and a U.S. official would appear.

<sup>5</sup>Actas, CCEFI, XIX, pp. 2348-2349.

<sup>6</sup>Actas, CCEFI, I, pp. 388-400. This provides the full text of the draft statutes. See also Julio Broide, El Banco Interamericano de Desarrollo (Washington: BID, 1960), pp. 7-16.

<sup>7</sup>U.S., Department of State, Foreign Relations of the United States 1940, Vol. V, The American Republics (Pubn. No. 7188) (Washington: Government Printing Office, 1961), pp. 347-351.

<sup>8</sup>See Robert W. Hodge, Lining Up Latin America: The United States' Attempts to Bring About Hemispheric Solidarity 1939-1941 (unpublished Ph.D. dissertation, Michigan State University, 1968), citing Morgenthau Diaries, Vol. 251, April 9, 1940, pp. 342-346.

<sup>9</sup>Ibid., p. 167, citing Morgenthau Diaries, Vol. 224, pp. 199-200.

<sup>10</sup>Ibid., p. 169; see also Actas, CCEFI, II, pp. 554 and 615-618.

<sup>11</sup>Hodge, Lining Up Latin America, p. 169.

<sup>12</sup>Ibid., pp. 171-172.

<sup>13</sup>U.S., Department of Commerce, Historical Statistics of the United States (Washington: Government Printing Office, 1961), p. 548, shows imports of 2.01 billion pounds

in 1939, valued at \$140 million; the 1940 figures are 2.05 billion pounds, valued at \$127 million.

<sup>14</sup>Actas, CCEFI, II, p. 637; pp. 753-782, passim.

<sup>15</sup>Actas, CCEFI, II, pp. 808-809; also Foreign Relations, 1940, V, pp. 381-382.

<sup>16</sup>U.S., Department of State, Second Meeting of the Ministers of Foreign Affairs of the American Republics, Habana, July 21-30, 1940, Report of the Secretary of State, Conference Series 48, Pubn. 1575 (1941), p. 80 (Resolution XXV 3 (d); also, Actas, CCEFI, II, p. 810.

<sup>17</sup>S. Sheperd Jones and Denys P. Meyers, eds., Documents on American Foreign Relations, Vol. III, July, 1940-June, 1941 (Boston: World Peace Foundation, 1941), pp. 98-109; also Hodge, Lining Up Latin America, p. 275, citing IAFEAC Handbook, pp. 96-97.

<sup>18</sup>Historical Statistics, p. 548, shows 1941 imports of 2.25 billion pounds, worth \$177 million. Thereafter, U.S. coffee imports were as follows: 1942, 1.7 billion pounds, \$205 million; 1943, 2.2 billion pounds, \$273 million; 1944, 2.6 billion pounds, \$326 million; 1945, 2.7 billion pounds, \$346 million; 1946, 2.7 billion pounds, \$472 million; and 1947, 2.5 billion pounds, \$600 million.

<sup>19</sup>Hodge, Lining Up Latin America, pp. 275-276.

<sup>20</sup>Jones and Meyers, Documents on American Foreign Relations, III, 1940-41, pp. 629-630.

<sup>21</sup>U.S., Department of State, Foreign Relations of the United States 1940, Vol. VI (Washington: Government Printing Office, 1963), pp. 185-186, Hull to Charge in Uruguay, April 9; Actas, CCEFI, X, p. 1359.

<sup>22</sup>Actas, CCEFI, XI, p. 1532, et. seq.

<sup>23</sup>Ibid.

<sup>24</sup>Actas, CCEFI, p. 1703.

<sup>25</sup>William L. Langer and S. Everett Gleason, The Challenge to Isolation, 1937-1940 (New York: Harper and Bros., 1952), pp. 629-637.

<sup>26</sup>Frank Gervasi, The Real Rockefeller (New York: Atheneum, 1964), p. 73; Joe Alex Morris, Nelson Rockefeller: A Biography (New York: Harper and Bros., 1960), pp. 129-130. Another Rockefeller biography is James Desmond, Nelson Rockefeller: A Political Biography (New York: Macmillan, 1964).

- 27 Morris, Nelson Rockefeller, p. 130.
- 28 Gervasi, The Real Rockefeller, p. 75.
- 29 U.S., Second Meeting, pp. 80-83 (Res. XXV).
- 30 Gervasi, The Real Rockefeller, pp. 76-77; also, Donald M. Dozer, Are We Good Neighbors (Gainesville: University of Florida Press, 1959), p. 116.
- 31 Gervasi, The Real Rockefeller, pp. 91-92.
- 32 Ibid., pp. 92-94.
- 33 Pan American Union, Actas del Consejo Interamericano Economico y Social, II, pp. 216-230; III, pp. 402-412.
- 34 Ibid.
- 35 Actas, CCEFI, XIV, p. 1829.
- 36 Actas, CCEFI, XIV, pp. 1819-1820.
- 37 Ibid., p. 1823.
- 38 See reply of Chile, Actas, CCEFI, XX, pp. 2514-2515; Peru, Ibid., p. 2554; and others, Ibid., p. 2413.
- 39 Actas, CCEFI, XIX, p. 2453.
- 40 Actas, CCEFI, XXII, p. 2683.
- 41 "Technical Economic Conference," Bulletin of the Pan American Union (LXXVIII, No. 12), December, 1944, pp. 682-683.
- 42 Actas, CCEFI, XXIII, pp. 2849-2856.

## CHAPTER THREE

### "A DOCUMENT FOR ANOTHER WORLD"

#### I

But even as late as 1944, neither Latin American nor United States thinking had fully crystallized on the exact nature of their post-war relationships, nor on the institutions, if any, which would have charge of them.

In the United States, the Department of State's post-war planning division, headed by Dr. Leo Pasvolsky, had developed proposals looking toward a highly centralized international organization. At the same time, a pronounced body of opinion in the United States, including some old isolationists and Pan Americanists, favored decentralization of any new global entity.<sup>1</sup> What emerged was a reluctance to submerge the inter-American system, and U.S. hegemony in Latin America, within a "one world" body.<sup>2</sup>

In Latin America, one clue was given by Mexican Foreign Minister Ezequiel Padilla Nervo, who had proposed the special meeting in Mexico. He had suggested that the continuing fight against fascism, an attractive idea at the time, be implemented by a determination to improve basic economic conditions in the Americas. The Department of State agreed to his suggestion.<sup>3</sup>

The distaste for submerging the still-evolving

inter-American system within a global body also was shared by many Latin Americans. For them, the deepening association with the United States had tangible benefits, and they were disposed to make it even closer. Some of the old conservatives were suspicious of an entity in which the Soviet Union appeared sure to play a prominent part. Other leaders were reluctant to have the colonial powers, Great Britain and France, pass upon funds for Latin American development, as the Bretton Woods agreements envisaged.<sup>4</sup>

In preparing for the Mexico City meeting, however, the United States was at a tactical disadvantage. The Latin Americans had not been represented at the Dumbarton Oaks conference, at which the foundations for the United Nations Organization were laid. So, while the United States could consult in Mexico on Latin American feelings, it could not unilaterally undertake to modify the big power understandings. It could only stress that the actual organizational conference in San Francisco would fix the exact details, and that it would represent and support a hemispheric viewpoint.<sup>5</sup>

## II

In preparing positions for the Mexico City Conference, the U.S. policy makers had to work within the framework of the economic planning which had been going forward. The various study groups had accepted the supposition that a strong international organization would emerge, and that

it would handle economic as well as political problems.<sup>6</sup>

Even this supposition, however, had to be adjusted to give free play to the accepted principles of U.S. commercial policy. One of these principles was that the movement to free and multilateral trade was beneficial to all nations. Another was that equality of treatment should govern economic relations. And a third was that trade should be conducted with a minimum of direct governmental regulation and with reciprocal reductions of tariffs.<sup>7</sup> In other words, the United States desired that the new world entity reflect its own beliefs on trade.

In line with these principles, a Special Department of State Committee on Relaxation of Trade Barriers reported in 1943 that the United States should seek a great expansion of the volume of international trade. This, it reasoned, would help attain full employment, preserve the private enterprise system, and assure the success of an international security system. It recommended that the United States take the leadership in seeking such a free trade movement, and proposed a multilateral convention to that end.<sup>8</sup>

A study on international commodity problems, submitted four months later, contemplated the possibility of departures from a strict liberal trade policy. International commodity agreements, if "properly conceived," might facilitate a general program to relax trade barriers, the study said. It proposed the establishment of an

intergovernmental commodity organization which could participate in and supervise such arrangements, whenever they were found necessary.<sup>9</sup>

This view, however, was challenged by a special U.S. House of Representatives Committee on Post-War Economic Policy and Planning. Commodity agreements, it said, "are economically unsound," and permissible only "as temporary measures." The committee suggested an international conference on trade barriers.<sup>10</sup>

On foreign loans and investments, the committee anticipated that in the post-war period, U.S. foreign investments "might amount to as much as \$2 billion per year." To encourage this flow, it urged the establishment "as soon as practicable" of the International Bank. It also advocated an increase in the lending power of the U.S. Export-Import Bank, saying that it "could make many developmental loans."<sup>11</sup>

What is significant about these studies is that none of them contemplated a special relationship with Latin America. Yet this was exactly what some Latin Americans were expecting--as two veteran U.S. Foreign Service officers, sent to Mexico to report on Latin American attitudes--promptly discovered.

### III

The two were William Sanders, who had served with the Advisory Committee for Political Defense, and Merwin L. Bohan, who had headed a U.S. economic mission to Bolivia.



Both had extensive Latin American contacts, and were especially alert to the problems of the period. Sanders had orders to concentrate on political aspects, and Bohan, on economic matters, which might come before the Conference.

In a dispatch shortly after his arrival, Sanders stressed that Mexican thinking was for "a strong inter-American regional system able to solve its own problems." As a part of this, he said, the Mexicans contemplated "a permanent economic body within the regional system." He warned that the United States should not give the Latin Americans the impression that it was seeking to use them as pawns in a struggle for world influence and power.<sup>13</sup>

Bohan, after initial consultations, reported that Mexico felt that "access to raw materials . . . should be complemented by equality of access to manufactured products." Also, he said, the Mexicans wanted long term procurement contracts and regional commodity arrangements. While agreeing on the need for an international monetary fund and bank, he said, the Mexicans "made it quite plain that [they] are thinking in terms of inter-American financing of development and they do not like the idea of having European nations passing on essentially inter-American projects."<sup>14</sup>

In a later economic memorandum, Bohan said that Mexicans were not contemplating the restoration of a "free, competitive international economy." Rather, they envisaged "a period of even more rigid control of international commerce." They wanted, he said, an extension of the U.S.

procurement programs, protection for native industries, and rigid controls over the use of accumulated gold and exchange reserves.<sup>15</sup>

U.S. Ambassador to Mexico George Messersmith underscored Bohan's findings. He observed that the Latin Americans would accept the objective of liberal trade, but were most concerned about the way in which it could be reached. The United States, he said, should offer "constructive solutions" to immediate and long range problems, or face failure in the Conference. Most specifically, Messersmith stressed that Latin Americans wanted the continuance of many controls, including tariffs.<sup>16</sup>

#### IV

As such warnings came in, Assistant Secretary Rockefeller in Washington wrestled with the very evident determination of the Latin American nations to raise the economic question at Mexico City, rather than wait for the scheduled Technical-Economic Conference.

At a Department Policy Committee meeting on January 12, Adolf A. Berle, ambassador-designate to Brazil, suggested that the United States finance the purchase of coffee, sugar and other hemisphere products. He also proposed that surplus property be made available for Latin American economic development, and that price controls be continued.<sup>17</sup> His ideas did not prosper.

Two other Department experts, Wayne A. Jackson and

Gerald Smith, agreed that a statement of U.S. intentions was "certainly needed." But they were wary about extending war-time trade controls. They suggested that the United States use its bargaining position on supply to obtain commitments for a rapid relaxation of controls in Latin America. They also asked "definite ideas" on methods for further inter-American economic and social cooperation.<sup>18</sup> This perhaps indicated that previous thought on the matter had been minimal.

In a further step, aimed at determining more precisely just what kind of a Pandora's box it held, the Department on January 19 asked reports from each of the U.S. missions in Latin America on economic matters which might be raised in Mexico City.<sup>19</sup>

The circular drew mixed replies. Some countries, such as Paraguay, Colombia, Ecuador and Panama, were said to be preparing requests for assistance on very specific projects. Chile was reported interested in systems of inter-American credit for production and industrialization. Brazil indicated that it would have no specific requests for the U.S. delegation.<sup>20</sup> The emphasis in the replies was on domestic concerns or projects rather than on continental endeavors or policy.

Thus reassured, Rockefeller distributed a memorandum for the guidance of U.S. delegation. On the political issues, it explained that the United States would welcome an inter-American declaration of support for a general

international organization. At the same time, it said, the United States wished to strengthen the inter-American system itself. One aspect of this would be the creation of an "economic and social council" similar to that contemplated for the United Nations.<sup>21</sup>

On economic issues themselves, the memorandum said the Latin American governments should be assured that transition from the war procurement program would be orderly and gradual, with due consultation. "Inter-American loans" would be made where economies became unbalanced, and "all possible assistance" would be given to sound economic development. If the U.S. Congress would approve, "active consideration" would be given to stockpiling from Latin American sources of supply.<sup>22</sup>

The memorandum further suggested the adoption of an "Economic Charter of the Americas." This would be a declaration of general principles, with 12 points, including equality of access, elimination of economic nationalism, treatment of foreign capital, private enterprise, and distribution of production surpluses. Specific U.S. attitudes on each of the points were not spelled out.<sup>23</sup> But with it, the idea for a comprehensive instrument, which could govern all inter-American economic relations, was given explicit recognition.

V

Assistant Secretary Rockefeller arranged that leading members of the U.S. Congress, as well as representatives

of U.S. labor, business and agriculture, be made members of the U.S. delegation to the Mexico City meeting. His idea was to involve all sectors of U.S. life in the decisions to be made there.<sup>24</sup> All told, the delegation ultimately numbered eighty.

Once in Mexico City, as the other delegations arrived, the U.S. representatives circulated widely, explaining U.S. intentions and citing draft resolutions which it was prepared to introduce. By the time the conference began on February 21, the broad outline of U.S. policy was well-known. Still, more specific details were awaited in the speech of Secretary of State Edward R. Stettinius, who flew to Mexico from the Yalta conference by way of Brazil.<sup>25</sup>

The situation was reviewed by James B. Reston of the New York Times. He noted, on February 19, that the issue for the United States was how to fit its Latin American policy into its world policy. The United States, he said, was prepared to use its economic power to gain the support of the other nations of the hemisphere. But actually, Reston said, they had no alternative to economic collaboration with the United States.<sup>26</sup>

## VI

Mexican President Manuel Avila Camacho spoke at the inaugural session. After a review of the role of the international conferences in the development of the inter-American system, he came to the nub of Latin American thinking:

economic and commercial collaboration in the post-war world should be so regulated as to prevent the more industrialized nations from attaining an economic hegemony at the expense of the less industrialized states.<sup>27</sup>

For the substantive part of its work, the conference moved to Chapultepec castle, and there, on February 22, Mexican Foreign Minister Padilla Nervo put the issue more bluntly, asking: "What does America expect of this conference?"

It expected, he replied, "resolutions that relieve the misery, the helplessness of a great section of our masses." For this, the cooperation of the United States was necessary. And, in converting from war to peace, the United States could assure itself markets for its 60 million workers by helping develop the resources of the other American states. The Latin American needs were for long term credits for huge public works programs, equipment and machinery. Mostly, he said, such projects would pay for themselves.<sup>28</sup>

Stettinius spoke later at the same session. He stressed U.S. interest in the "further development of inter-American cooperation," and the U.S. desire for a strong regional organization within the new world entity. Then, on the economic question, he made five points:

First, the United States intended to propose and support measures for closer cooperation in public health, nutrition and food supply, labor, education, science,

freedom of information, transportation, and in economic development, including industrialization and the modernization of agriculture.

Second, the United States would undertake to "reduce to a minimum the inevitable dislocations" of the transition from war to peace.

Third, the United States desired "positive measures" to promote constantly rising levels of international trade. These could be sustained by "economically sound industrial development and the modernization of agriculture."

Fourth, such actions, in turn, would require arrangements assuring "reasonably stable rates of exchange" and "international investments in profitable new enterprises."

Fifth, the United States proposed to extend its operations in the latter field by "making full use of the facilities available, including the Export-Import bank."<sup>29</sup>

Stettinius' speech implied more than it actually promised. It created an "atmosphere" in which the U.S. political objectives could prosper. After hearing the other ministers, the delegates could turn to look carefully at the resolutions which were being introduced--some 180 of them, all told.

## VII

The ostensible reason for presenting a draft resolution is to have the ideas or principles which it outlines accepted by the other delegates. It thereby becomes an

expression of a common will. This, however, has not always been the case, especially in inter-American conferences. Resolutions can be presented without any realistic hopes of ultimate adoption.

In such instances, the aim may be to present a specific problem, and have it aired. In other instances, there may be a historical precedent, impelling new efforts. In still others, a delegate may be seeking internal political capital. If he has been shrewd enough in his drafting, so that his proposal correlates with those of other delegates, and is accepted in some form by the conference, he can claim that his thesis has been accepted. And some resolutions can be presented simply as negotiating gambits, to trade off against other proposals.

These circumstances, usually, are reasonably clear to the other delegates. And, to some extent, there is "log rolling"--the trading off of support. The inter-American conferences further are notable by the belief of delegates that a semantical formula can be found to bridge all but the most intractable of differences. If only for these reasons, the introduction of resolutions, and even the language of the resolutions, cannot be taken as reflecting an absolute index of national desires. Nevertheless, the resolutions as introduced and passed, do help illustrate the thinking of their sponsors.

Not unsurprisingly then, resolutions dealing with the prices of raw materials dominated the agenda of the



economic committee at Chapultepec. On the basis of their pre-war experience, the Latin American nations saw, rather clearly, that their best hopes for more stable and even improved foreign exchange earnings lay in arrangements which would set minimum prices for their commodities. So, among the nine raw materials resolutions introduced, Venezuela and Mexico asked the negotiation of multilateral commodity agreements. Other resolutions suggested the fixing of a ratio between the prices of raw materials and manufactured goods.<sup>30</sup>

A second favored topic for resolutions was transportation. The lack of their own shipping fleets had meant deprivations for the Latin American nations during the war. Additionally, payments to foreign-owned vessels constituted a substantial portion of the "invisibles" in the Latin American balance of payments picture. So eight separate resolutions on transportation were introduced. Mexico, Peru and Colombia proposed that war surplus ships and planes be employed to improve transportation facilities in the Americas. Mexico, Venezuela and Cuba advocated the establishment of an international body to build, manage or coordinate sea and air fleets.<sup>31</sup>

Major concern also was expressed over the financing of development, and seven resolutions were introduced in that field. One Mexican draft proposed an "Inter-American Finance Company" which would undertake the financing of private enterprises. Peru asked that IAFEAC prepare a

charter for a "new inter-American agency, on bases similar to those adopted at Bretton Woods," which could buy exportable surpluses. Chile asked "special facilities," through IAFEAC, for an "American industrialization plan."<sup>32</sup>

Despite past sensitivity on the issue of foreign investments, only three draft resolutions were presented dealing with that topic. Cuba proposed the drafting of general guidelines for investments. Brazil wanted recognition of the "duty" of nations with ample financial resources to promote development in less well-endowed countries. And Ecuador asked that the Technical Economic Conference prepare a plan for a body which would "distribute, coordinate and guarantee the mobilization of capital in the American countries."<sup>33</sup>

Two countries, Brazil and Colombia, introduced resolutions dealing with tariffs. Both asked recognition of the "necessity" for tariff protection for their industries. A further Brazilian resolution called upon "creditor and highly industrialized nations" to carry out a program of tariff elimination, in order to encourage more exports from less developed nations.<sup>34</sup>

Mexico and Colombia evinced concern over the possibility of a sharp and sudden U.S. cancellation of war-time supply contracts. Mexico wanted the transition from war to peace to come in stages, with the gradual termination of the contracts for strategic materials. Colombia proposed that in the transition period, consideration should

be given to raising standards of living.<sup>35</sup>

Three proposals dealt with the nature of a post-war agency which could promote inter-American economic cooperation. Mexico suggested that "an economic and financial body" be made part of the permanent secretariat of the Pan American Union. Bolivia proposed the creation of a 10-member "Inter-American Committee on Economic and Social Affairs." Honduras advocated an "Inter-American Economic Commission," based on IAFEAC, and proposed the regular convening of inter-American economic conferences. The first of these, the Honduras resolution said, should be the Technical Economic Conference, then scheduled for July 15.<sup>36</sup>

Besides its specific proposals, Mexico also introduced a draft "Declaration of Mexico," philosophic in tone, and in hindsight, highly optimistic. In part, it read:

We regard the economic solidarity of the Continent as a principle. The era of imperialism has ended. Want in any of our States, whether in the form of poverty, malnutrition or ill-health, affects each of the other countries, and consequently, the prosperity of all of them as a whole.

We are entering an era of economic cooperation in which we shall coordinate private interest in order to create an economy of abundance which, by eliminating the exploitation of natural resources and human labor for the exclusive benefit of groups, whether national or foreign, will permit raising the standard of living of all American countries.<sup>37</sup>

In contrast to the welter of Latin American economic resolutions, the United States made only three major proposals. Its chief effort was the draft "Economic Charter of the Americas." Another sought to have trade controls

declared "inconsistent" with long-range principles of commercial policy. A third suggested that governments not compete with private enterprise, and that new industries not require permanent aid through tariffs or subsidies.<sup>38</sup>

Ultimately, the 180 draft resolutions were consolidated or combined so that the final act of the conference comprised only 61 "instruments." Both in tone and in scope, the totality of the final document was different from those approved at pre-war inter-American conferences. Its emphasis was on economic development, and the means by which that development could be achieved through inter-American cooperation.

The U.S. proposal for a generally-worded "Economic Charter of the Americas" underwent surprisingly little change. Its very generality may have been the reason for its acceptance--its wording, in Latin America, could be construed as a remarkable breakthrough, and as an entering wedge from which other benefits could be secured from the United States. Yet it made no specific commitments, either for individual Latin American countries, or for the United States.

Such controversy as there was centered on sections dealing with trade barriers, economic nationalism, treatment of foreign capital, and private enterprise.<sup>39</sup> Of all of these, the most public discussion was generated over the proposed language on trade barriers.

As that section was being debated, the Confederación

de Trabajadores Mexicanos (CTM) took full page advertisements in Mexico City newspapers. The CTM allied itself with "the progressive industrialist" in opposition to the "archaic policy of free trade," which it said the Charter represented. The advertisement also asserted that the Charter would not guarantee "the weaker countries of America the right to obtain the equipment which the United States ought to provide Latin America for its rapid economic development."<sup>40</sup>

In the committee actually considering the Charter, Latin American delegates stressed that tariff protection was indispensable for industrialization, that tariffs were a fiscal necessity, and that the multilateral method for reducing trade barriers was impracticable. So more neutral language, expressing a common aspiration to find practical international formulas to reduce barriers detrimental to trade was adopted.<sup>41</sup>

Similarly, compromises were reached on the other sensitive issues. Instead of economic nationalism generally, only the "excesses" of economic nationalism were condemned. Foreign capital was encouraged, except when it "would be contrary to the fundamental principles of public interest." A section calling on governments to "refrain from the establishment of state enterprises for the conduct of trade" was dropped completely.<sup>42</sup>

There were echoes of these controversies in debate over other of the single draft resolutions.

On raw materials, an initial committee draft accepted

the Mexican position that international commodity agreements should be a normal means for moving all primary products. But the United States objected. This, it said, was "seriously at variance with established international trade policies." So a compromise resulted. The final resolution recognized a need for commodity agreements, but stipulated that they should be temporary expedients, of limited use, and providing for the interests of both producers and consumers.<sup>43</sup>

Similarly, the seven draft resolutions on the financing of economic development were combined in one final statement on industrialization. It suggested prompt ratification of the Bretton Woods agreements, for establishing the International Monetary Fund and World Bank. Then, it said, countries with "abundant supplies of capital" should make "the greatest effort" to extend "ample credits at long term and with equitable rates of interest and amortization." Next, it directed the Technical Economic Conference to consider "specifically how and by what practical and appropriate means the liberalization of credit for American countries may be attained."<sup>44</sup>

One combined resolution disposed of the eight proposals on transportation. It recommended consultation on purchases of surplus vessels and the efficient use of transportation facilities, but left the Technical Economic Conference to work out the details.<sup>45</sup>

A general resolution on the strengthening of the

inter-American system incorporated the various suggestions for the creation of a new economic agency within the Pan American Union. The Governing Board of the Pan American Union was authorized to organize "provisionally" an Inter-American Economic and Social Council, replacing the IAFEAC. The new body, usually denominated IA-ECOSOC, was to serve as the coordinating agency for all official inter-American economic and social activities. It was directed to collect and prepare reports on economic and social matters, to maintain liaison with other economic entities, and to undertake studies on its own initiative.<sup>46</sup> Its terms of reference, then, went beyond those of IAFEAC. But it was to be subordinate to the Governing Board of the Pan American Union.

On the key issue of the economic adjustment of the Hemisphere during the transition period, two carefully phrased resolutions followed the substance of a position taken by Assistant Secretary of State Will H. Clayton. The first "transition" resolution suggested that bilateral agreements resolve any problems of surpluses.<sup>47</sup> A second one vaguely promised Latin American access to capital goods "on a fair and equitable basis and in as large amounts as are compatible with fair and equitable treatment of other export markets."<sup>48</sup> In essence, the Latin American nations took on trust a U.S. promise that their war-time services and cooperation would be recognized.

Two other final resolutions had later repercussions. The coffee producing countries obtained a resolution

directing that price ceilings be subject to "continuous scrutiny," and that prices bear an appropriate relationship to the costs of production and transportation.<sup>49</sup> Another resolution noted that "on June 15, 1945, the Inter-American Technical Economic Conference will convene in Washington." It asked member nations to provide information on their internal and external condition for consideration at that meeting.<sup>50</sup>

## IX

What was the effect of Chapultepec?

Mexican Foreign Minister Padilla Nervo termed it "the most successful of all inter-American gatherings."<sup>51</sup>

The U.S. delegation informed the Acting Secretary of State that the delegates unanimously agreed that the conference was "successful in its major objectives," and that it marked the "culmination of the good neighborly" policy which had been pursued for the past 12 years.<sup>52</sup>

Nevertheless, some doubts were expressed. Mexican expert Anita Brenner, reviewing the conference for The Nation, reported that

Mr. Clayton asked for every guarantee and protection for private enterprise, including lowered tariffs, while the Latin Americans upheld government participation in business, government price cushioning of products vital in each economy, and government development and protection of industry including keeping tariffs up. It was all put into the Economic Charter, which, one delegate afterward drily remarked, is a "document for another world."<sup>53</sup>

Business Week, observing that the Economic Charter



was of the greatest interest to business, said that it still was too early "to make any real appraisal of the results of the conference." The critical meeting, the Technical Economic Conference, it said, would come in June.<sup>54</sup>

The fact that the United States had made no financial commitments at the conference was made clear in the U.S. Senate by Senator Tom Connally (D-Texas). In a reply to a question by Senator Robert A. Taft (R-Ohio), he said that "no money commitments of any kind were made," only general statements "that we would endeavor to do this, that, or the other thing, which might eventually involve some expenditures."<sup>55</sup>

In essence, then, Chapultepec accomplished little in the economic field.

What it did do was give the Latin Americans an assurance that they keenly desired: The United States would be considerate in terminating war supply contracts, on a bilateral basis. It also provided for the creation of a new hemispheric economic entity, the Inter-American Economic and Social Council. But little thought had gone into what that body might accomplish, and there was a reluctance to give it power for its task of "coordination."

The "Economic Charter of the Americas," in actuality, was a high-sounding piece of inter-American rhetoric. It identified some very real mutual concerns, but provided little or no help toward their resolution. By its very existence, it spurred hopes that explicit inter-American

commitments, looking toward an integrated hemispheric economic policy, could be negotiated. This difficult task was left for the Technical Economic Conference, on which none of the potential participants had focused adequately.

And events were rapidly overrunning the Technical Economic Conference itself.

## FOOTNOTES

### CHAPTER 3

<sup>1</sup>Sumner Welles, Where Are We Heading? (New York: Harper and Bros., 1946), pp. 206-207.

<sup>2</sup>William Reitzel, et al., U.S. Foreign Policy 1945-1955 (Washington: Brookings Institution, 1956), p. 77; Wilfred H. Callcott, The western Hemisphere (Austin: University of Texas Press, 1968), pp. 415-416; Lawrence Duggan, The Americas: The Search for Hemisphere Security (New York: Henry Holt & Co., 1949), p. 117.

<sup>3</sup>U.S., Department of State, Foreign Relations of the United States 1944, Vol. VII, The American Republics (Historical Series, Pubn. 8333) (Washington: Government Printing Office, 1967), pp. 34-35.

<sup>4</sup>U.S., Department of State, Foreign Relations of the United States 1945, Vol. IX, The American Republics (Historical Series, Pubn. 8452) (Washington: Government Printing Office, 1969), p. 104.

<sup>5</sup>U.S., Department of State, Postwar Foreign Policy Preparation 1939-1945 (General Foreign Policy Series 15, Pubn. 3580) (Washington: Government Printing Office, 1950), pp. 398-407.

<sup>6</sup>Ibid. This thread of action is dominant throughout this section.

<sup>7</sup>John M. Letiche, Reciprocal Trade Agreements in the World Economy (New York: King's Crown Press, 1948), p. 1.

<sup>8</sup>U.S., Department of State, Postwar Foreign Policy Preparation, pp. 622-624.

<sup>9</sup>Ibid., pp. 619-621.

<sup>10</sup>U.S., Congress, House of Representatives, House Special Committee on Post-War Economic Policy and Planning, Post-War Economic Policy and Planning, House Rept. 541, 79th Cong., 1st Sess., 1945, pp. 1-5.

<sup>11</sup>Ibid., p. 24.

<sup>12</sup>U.S., Department of State, Foreign Relations 1945, Vol. IX, p. 57.

<sup>13</sup>Ibid., pp. 75-78.

<sup>14</sup>Ibid., pp. 102-105.

<sup>15</sup>Ibid., pp. 111-114.

<sup>16</sup>Ibid., pp. 110-111.

<sup>17</sup>Ibid., p. 51.

<sup>18</sup>Ibid., p. 47.

<sup>19</sup>Ibid., p. 11.

<sup>20</sup>Ibid., pp. 12-25.

<sup>21</sup>Ibid., pp. 106-110.

<sup>22</sup>Ibid.

<sup>23</sup>Ibid.

<sup>24</sup>Frank Gervasi, The Real Rockefeller (New York: Atheneum, 1964), p. 108.

<sup>25</sup>Stettinius had conferred in Brazil with President Getulio Vargas. On his arrival in Mexico City, he made a notable gaffe, declaring: "The United States looks upon Mexico as a good neighbor, a strong upholder of the democratic tradition in this hemisphere, and a country we are proud to call our own."

<sup>26</sup>James B. Reston, "Mexico Talks Designed to Link Hemisphere to Dumbarton Oaks," New York Times, Feb. 19, 1945, pp. 1 and 4.

<sup>27</sup>C. M. Cianfarra, "Avila Camacho Sees Equality of Aims," New York Times, Feb. 22, 1945, p. 19.

<sup>28</sup>U.S., Department of State, Report of the Delegation of the United States of America to the Inter-American Conference on Problems of War and Peace, Mexico City, Mexico, February 21-March 8, 1945 (Conference Series 85, Pubn. 2497) (Washington: Government Printing Office, 1946), p. 7; C.M. Cianfarra, "U.S. Promises Help for the Americas," New York Times, Feb. 23, 1945, pp. 1 and 14.

<sup>29</sup>E. M. Stettinius, Jr., "America's Role in World Peace," Vital Speeches, March 1, 1945, pp. 292-295; Report of U.S. Delegation, pp. 7-8.

<sup>30</sup>The draft resolutions are given in Report of the U.S. Delegation, pp. 140-365, and are numbered consecutively. The numbers of those cited on raw materials are: Bolivia, 36, pp. 177-178; Chile, 54, pp. 210-211; Mexico, 62, pp. 221-223; Venezuela, 79, pp. 247-251; Peru, 121, pp. 301-302; Brazil, 141 and 142, pp. 327-328; Ecuador, 153, pp. 335-336; Costa Rica, 159, pp. 340-341; and Guatemala, 176, pp. 353-354.

<sup>31</sup>Report of the U.S. Delegation, pp. 140-365, draft resolutions pertaining to transportation: Mexico, 64, p. 224; Mexico, 72, pp. 232-233; Mexico, 73, pp. 233-234; Venezuela, 77, pp. 242-244; Colombia, 81, p. 257; Panama, 107, pp. 288-289; Peru, 119, p. 300; and Cuba, 133, pp. 319-320.

<sup>32</sup>Report of the U.S. Delegation, pp. 140-365, resolutions pertaining to the financing of development: Chile, 50, pp. 206-207; Chile, 52, p. 208; Mexico, 59, pp. 218-219; Mexico, 60, pp. 219-220; Mexico, 61, pp. 220-221; Peru, 122, pp. 302-304; Costa Rica, 160, p. 341.

<sup>33</sup>Report of the U.S. Delegation, pp. 140-365, draft resolutions pertaining to foreign investments: Cuba, 135, pp. 320-323; Brazil, 138, pp. 325-326; Ecuador, 151, pp. 333-334.

<sup>34</sup>Report of the U.S. Delegation, pp. 140-365, resolutions pertaining to tariffs: Colombia, 57, pp. 216-217; Brazil, 140, p. 327; Brazil, 164, pp. 344-345.

<sup>35</sup>Report of the U.S. Delegation, pp. 140-365, draft resolutions pertaining to the immediate and post-war periods: Mexico, 63, p. 223; Colombia, 58, p. 217; Costa Rica, 111, p. 292.

<sup>36</sup>Report of the U.S. Delegation, pp. 140-365, draft resolutions pertaining to post-war economic organization: Mexico, 43, pp. 188-193; Bolivia, 56, pp. 214-216; Honduras, 125, pp. 297-299.

<sup>37</sup>Report of the U.S. Delegation, pp. 357-358.

<sup>38</sup>Ibid., pp. 277-280; 261-262; 275-276.

<sup>39</sup>Pan American Union, Inter-American Conference on Problems of War and Peace (Congress and Conference Series, Pubn. 47), pp. 82-86.

<sup>40</sup>U.S., Department of State, Foreign Relations 1945, IX, pp. 135-139.

<sup>41</sup>Report of the U.S. Delegation, pp. 24-25.

<sup>42</sup>Ibid., pp. 24-26.

<sup>43</sup>Ibid., pp. 113-115 (Resolution XLVI: Sale and Distribution of Primary Products).

<sup>44</sup>Ibid., pp. 118-120 (Resolution L: Industrial Development).

<sup>45</sup>Ibid., pp. 115-116 (Resolution XLVIII: Inter-American Transportation).

<sup>46</sup>Ibid., pp. 76-80 (Resolution IX: Reorganization, Consolidation and Strengthening of the Inter-American System).

<sup>47</sup>Ibid., pp. 92-94 (Resolution XXI: Economic Adjustment of the Hemisphere in the Post-War Period).

<sup>48</sup>Ibid., pp. 90-91 (Resolution XX: Economic Controls in Wartime and the Transition Period).

<sup>49</sup>Ibid., p. 84 (Resolution XV: Application of War-time Price Controls).

<sup>50</sup>Ibid., p. 85 (Resolution XVII: Preparatory Measures for the Washington Economic Conference).

<sup>51</sup>Cited by Samuel Guy Inman, "The Chapultepec Conference," The New Republic, March 26, 1945, pp. 417-419.

<sup>52</sup>U.S., Department of State, Foreign Relations, 1945, IX, pp. 149-150.

<sup>53</sup>Anita Brenner, "What Happened in Mexico?" The Nation, March 17, 1945, pp. 297-298.

<sup>54</sup>"Hemisphere Plan Faces Hurdles," Business Week, March 17, 1945, p. 113.

<sup>55</sup>U.S., Congress, Senate, The Chapultepec Conference, 79th Cong., 1st Sess., March 12, 1945, Congressional Record, pp. 2020-2028.

CHAPTER FOUR  
"KILL THE CONFERENCE"

I

In little more than four months following Chapultepec, both the men and the environment affecting U.S. relations with Latin America changed drastically.

The first shift came with the death of President Franklin D. Roosevelt, and the succession of Harry S. Truman. Roosevelt, despite the preoccupations of his office, had maintained a personal interest in Latin America, and was conspicuously proud of the "Good Neighbor" policy. He knew intimately the men immediately concerned with the administration of that policy.

Under Truman, this kind of relationship did not develop. He relied upon his Secretaries of State to bring him initiatives affecting Latin America. These Secretaries were of a "new breed," European-oriented, little-informed about Latin America, or prepared to minimize the 65 years of U.S. preoccupation with the area. To them, Latin America had only to be fitted into the mosaic of U.S. global responsibilities.

Sumner Welles observed of James F. Byrnes, for example, that Byrnes was "neither able nor inclined to undertake any personal direction of inter-American policy. . . .

His chief desire was that some official take this burden off his shoulders and undertake the direction of inter-American policy in such a manner as to cause the least amount of trouble to the Secretary of State himself."<sup>1</sup>

At the next level down, there also was a changing of the guard. Nelson A. Rockefeller resigned as Assistant Secretary of State for Inter-American Affairs in August, 1945. He was succeeded, in September, by Spruille Braden. This scion of a prominent mining family had had diplomatic experience as U.S. representative in the Chaco peace talks, in Colombia and Cuba, and, briefly and spectacularly, as U.S. Ambassador to Argentina. He owed his appointment, perhaps, to the headlines he had made in his opposition to Argentine strongman Juan Perón. But such tactics hardly suited him for the subtle and difficult task of clarifying the emerging new relationship between the United States and Latin America.<sup>2</sup>

In the 1944 structural reorganization of the Department of State, too, an entirely new division, under the Assistant Secretary for Economic Affairs, had been added. So the chief administrator or policy maker for Latin America had to "clear" economic proposals with a colleague who had world-wide economic concerns. This further inhibited the development of "special" treatment for Latin America.<sup>3</sup>

Less than two months after Chapultepec, too, the organizational conference for the United Nations opened in San Francisco. The whole thrust of U.S. post-war planning had been to back the United Nations fully. Yet



Chapultepec had shown that the other American nations wished to retain the regional system which had developed so smoothly. So the "regional" versus the "global" issue had to be fought out at San Francisco. At a crucial stage, when it appeared that the inter-American system would be completely submerged within the United Nations, Rockefeller took an unusual step to support the Latin American view. He went personally to Senator Arthur H. Vandenberg (R-Michigan), a member of the U.S. delegation and chief Republican foreign policy leader, and encouraged him to prepare a compromise. The result, Article 51, recognized the place of regional organizations within the United Nations system.<sup>4</sup>

By May 8, only two months after Chapultepec, the war in Europe was over. In July, 21 days after the San Francisco Conference ended, the Potsdam Conference began. This was followed by the dropping of atomic bombs on Japan, and the acceptance by Japan of Allied peace terms. By September, Russia's desire to isolate its war-time conquests from the rest of the world were becoming apparent. The first crystals of the "Cold War" were forming. The United States assumed the leadership of the West, in an increasingly bipolar world.

In the process, its interest in Latin America became subordinated, and the process of drift in inter-American relations accelerated.

## II

One of the first manifestations of this process was delay in moving toward the Technical Economic Conference.

Although scheduled to begin on June 15, it had to be postponed until November 15. The San Francisco Conference continued longer than had been expected, and Latin American diplomats, who would have attended, pleaded other immediate commitments.<sup>5</sup>

As the November date neared, the United States raised objections. Emilio Collado, Director of the Office of Financial and Development Policy, on September 12, 1945, sent a blunt memorandum to Assistant Secretary Will Clayton, recommending a move to "kill this conference."

The economic staff, Collado said, did not want the meeting. The commercial staff also was "quite worried lest it upset the broad commercial policy applecart." He doubted that much could be added to the Mexico City resolutions. But, he also noted, the United States had caused postponement of the conference five times, despite the fact that "the Latinos expect and want it."

Collado suggested an indefinite postponement. If that were not feasible, he said, "a small technical meeting" could be held in its stead, to discuss only "urgent and important problems." With more time, he also indicated, British trade policy would be clearer, and an international trade conference would be in the offing.<sup>6</sup>

His memorandum illustrated the perplexities facing

the U.S. policy makers. The broad trend of U.S. commercial policy had been set, and did not contemplate a special relationship with Latin America. The economists were unwilling to consider further concessions, unless these could be fitted into a global policy, which the international trade conference might do. At the same time, Latin America was exerting political pressure for a change in the U.S. attitude. In such a situation, the appropriate tactic was to stall for time.

The postponement was decided upon, and at a September 15 meeting, the Pan American Union's Governing Board bowed to the U.S. suggestion. It sent out a notification that the Technical Economic Conference had been postponed until April 15, 1946.<sup>7</sup>

Again, as the new date neared, the Inter-American Economic and Social Council (IA-ECOSOC) took up the problem. By early 1946 only three of the Latin American governments had replied to the Chapultepec request for information on their economies.<sup>8</sup> Costa Rica's Juan Rafael Oreámuno, always close to U.S. thinking, suggested that the economic meeting await the outcome of the International Trade Conference, then scheduled to begin in Havana in June.<sup>9</sup> IA-ECOSOC, as a kind of "permanent conference," could deal with specific urgent matters, Héctor David Castro of El Salvador said.<sup>10</sup>

Asked bluntly by the Governing Board if the Technical Economic Conference should be postponed past April 15,

IA-ECOSOC on February 14 voted that it should. Ten nations agreed, two opposed and three abstained. Chile's representative declared that his country could not agree to an indefinite suspension. Argentina, opposing, indicated that the Western Hemisphere nations should agree among themselves on a common line of action in the Havana trade conference.<sup>11</sup> But with IA-ECOSOC's vote, the Governing Board on February 20 approved the indefinite postponement of the Technical Economic Conference. A new date, December 15, 1946, subsequently was suggested, but not acted upon.<sup>12</sup>

### III

A drift also was evident in the slowness with which the Inter-American Economic and Social Council was formed.

Following his return from Chapultepec, Rockefeller met with IAFEAC, which questioned him on its status. He suggested that the Council "wait a few days" before making any plans, and then added:

The formation of this inter-American Economic and Social Council is more a change of name of this committee in order to make it a permanent organization so that it can sustain relations with the world commission named or mentioned in the plan of Dumbarton Oaks.<sup>13</sup>

This idea for delay found favor. Venezuela's Lu  s E. G  mez Ru  z observed that the San Francisco conference would draft a statute for the United Nations Economic and Social Council. Therefore, he argued, the statute for the equivalent inter-American body should not be prepared until the other group was functioning.<sup>14</sup>

In the meantime, the Governing Board of the Pan American Union, in keeping with the terms of the Chapultepec resolution, named a special committee to study the reorganization. On April 19, it reported a conflict between an IAFEAC group and itself. The Board group saw IA-ECOSOC as having a subordinate role, while the Council felt that all economic questions should become its exclusive domain.<sup>15</sup>

The Governing Board, naturally, chose to maintain the position taken by its own committee. So, in the provisional statutes, IA-ECOSOC was made a dependency of the Board. The Board would appoint IA-ECOSOC's secretary. That individual also would serve as administrator of the economic and social activities of the Pan American Union.<sup>16</sup> Such an arrangement probably was the intention of the delegates at Chapultepec, but it took some luster from IA-ECOSOC.

The new Inter-American Economic and Social Council came formally into being on November 15, 1945. Secretary of State Byrnes spoke at the inaugural ceremony. He remarked that one of the first labors of the new group would be to study the program of the Technical Economic Conference.<sup>17</sup> Assistant Secretary Braden, as chairman of the new group, declared rhetorically that "none of the existing inter-American instrumentalities has a responsibility comparable to that of IA-ECOSOC."<sup>18</sup>

Organizational work, deciding on committees and arranging staff, continued on through December meetings. It was not until January 10, 1946, that the new group

actually turned to the work before it. In all, it had taken ten months to get IA-ECOSOC in operation. Further, an IAFEAC weakness was continued. IA-ECOSOC members were designated by the governments, which usually named Washington embassy members to the seats. So, secondary figures staffed the Council. Only rarely could they speak with the full authority of their governments, which, apparently, had no great faith in the new body.

#### IV

This became apparent in IA-ECOSOC's first year of operations. Only two reasonably substantive matters, shipping and U.S. exports, were brought to IA-ECOSOC's attention. Both produced inconclusive results.

The shipping problem was raised at a January 10, 1946, session. Cuba, Peru, Venezuela, Panama, Haiti and Guatemala asked IA-ECOSOC to consider maritime freight increases which had gone into effect January 1 between Latin American ports and the United States. The six nations alleged that the new schedules set rates higher than those which had prevailed during the perils of war time.<sup>19</sup>

Venezuela's Marcos Falcon Briceño noted that the shipping companies had dropped a 22 per cent war surcharge, but then had more than made up for it by increasing the rates on individual articles. Such increases, he said, influenced the cost of living in Latin America and raised the cost of exporting to the United States. U.S. price

controls, he indicated, meant that the producers had to assume the added costs.<sup>20</sup> A draft resolution complained that countries concerned had not been notified beforehand. Braden observed that the Department of State had not received prior notice, either. The draft recommended that the Council take appropriate measures for consultation in future cases.<sup>21</sup> After the draft was approved, IA-ECOSOC made representations to the shipping conferences which had raised the rates. These came to nothing. So the Council later asked the Department of State to obtain from the War Shipping Administration a "balance of losses and profits" in the operation of ships engaged in inter-American commerce.<sup>22</sup> Nearly a year later, on January 30, 1947, a committee report noted that the information had not been supplied.<sup>23</sup>

The incident was significant in comparison with action in 1940. Then, a complaint by IAFEAC had resulted in a "freeze" on shipping rate increases. In 1946, a Latin American protest went unheeded. The lesson, particularly to representatives who had served on both bodies, was that Latin America no longer occupied a preferred position.

The same lesson was repeated in the debate over U.S. export controls. Assistant Secretary Braden touched it off on May 9, 1946, when he discussed the hemispheric economic situation. The Department of State, he said, was working diligently to establish the principle that Latin American needs should be met despite the shortages, such as of coal and steel, which then were generally prevalent.<sup>24</sup>

With this kind of an opening, the Latin American representatives immediately registered their complaints. They claimed their countries couldn't get steel, rubber, textiles, and agricultural machinery.<sup>25</sup> More particularly, they objected to the "positive list" for export licenses which had been set up by the U.S. Department of Commerce. This, they said, favored traditional importers, and on some items, there were no traditional importers.<sup>26</sup> After a further meeting, IA-ECOSOC asked to be given an opportunity to comment further on the system. A meeting was arranged with Department of Commerce officials.<sup>27</sup> But late that year, the committee reported that the Department felt it was not possible to make changes in the system.<sup>28</sup>

The complaints, obviously, were relatively minor. But again, the U.S. response fell short of Latin American expectations.

The contrast with war-time treatment also was sharpened by U.S. handling of the very sensitive issue of ceiling prices on coffee. The United States had supported the 1941 Inter-American Coffee Agreement, in order to assure the movement of a substantial portion of the Latin American harvests. Under the agreement, total U.S. coffee imports rose from 2.25 billion pounds, worth \$177 million, in 1941, to 2.7 billion pounds, worth \$472 million in 1946.<sup>29</sup>

As the war had progressed, however, the combination of an inflow of foreign exchange, and shortages of both consumer and production goods in Latin America, caused



inflation. The growers contended that wage and price increases meant that they should obtain more for their coffee. In some instances, they claimed, the costs of production and transportation were not covered by the fixed prices they were receiving from the United States.

In November, 1944, the Inter-American Coffee Board asked the United States to increase its prices. The request was rejected. At Mexico City, the coffee producing countries gave Secretary Stettinius a petition urging higher prices.<sup>30</sup> They also pushed through a resolution recommending that price ceilings reflect the costs of production.<sup>31</sup>

With this kind of pressure, a review of the coffee situation was ordered. Edward G. Cale, acting chief of the Department of State's commodity division, as well as U.S. representative on and chairman of the Inter-American Coffee Board, reported that supplies appeared ample for requirements, at then current prices.<sup>32</sup> On this basis, the request of the coffee producing countries for higher prices again was denied.<sup>33</sup>

In April, however, the question of renewal of the coffee agreement itself came forward. The Department of State favored extension, but with the quota provisions made inoperative.<sup>34</sup> In Rio de Janeiro, Ambassador Berle objected to such an arrangement. He contended that an agreement, without quotas, was meaningless, and would result in a loss of markets for Brazil. Also, he said, Brazilians felt that the U.S. action in rejecting a price increase violated the

Chapultepec resolution. "Belief in inter-American cooperation," he said, "is just now at low ebb."<sup>35</sup>

To this, the Department replied that it was "inexpedient" to back the Brazilian position, and that the United States preferred a middle position between Colombia and Brazil, the two biggest producers.<sup>36</sup>

The producers, however, deadlocked over the issue. In June, after bitter debate, they accepted the U.S. position for a one-year extension of the coffee pact, without quotas.<sup>37</sup> In September, Cale, as president of the Board, wrote the Secretary of State, again asking reopening of the price question. If price ceilings could be removed, he said, the producers were willing to make arrangements stabilizing prices at "reasonable levels."<sup>38</sup>

The United States preferred another route. On November 17, the Office of War Mobilization and Reconversion announced that the United States would pay a subsidy of three cents a pound on coffee imports, up to a maximum of six million bags to be shipped between November 19 and March 31, 1946. So, effective November 19, the buying price ceilings for coffee went up three cents a pound. Instead of consumers paying, the government paid. This made possible the maintenance of price ceilings within the United States.<sup>39</sup>

The coffee producers, however, saw the subsidy as only a palliative. They continued to seek price decontrol. In June, 1946, they got a further two cent subsidy raise.

But full decontrol did not come until October 17, 1946. The Inter-American Coffee Agreement ultimately expired.

The issue was psychologically significant. The trade figures suggest that coffee prices had more than doubled since 1940, so that the claims of loss by the coffee producers may have been exaggerated. The producers also overlooked the very real battle which an extension of the agreement might have caused in the U.S. Congress. A sharp increase in coffee prices, too, would have had marked impact on the cost of living index, and made more difficult the task of the United States government in holding down the price increases in manufactured goods, about which Latin America also was complaining.

Nevertheless, by refusing decontrol until quite late, the United States put itself into a selfish position. It caused doubt as to its professions of belief in a free economy, ruled by market forces.

## V

Despite such problems, Latin America's economic position in the early post-war years was a healthy one. It had substantial exchange reserves, its exports grew, and prices were good.

By the end of the war, the Latin American countries had accumulated gold and foreign exchange earnings estimated at \$3.8 billion, with perhaps \$3 billion of this directly attributable to favorable balance of trade and payments

positions during the war.<sup>41</sup> Some nations used their surpluses to pay off old debts.

Argentina, with the biggest reserves, applied almost half of them toward the purchase of the British and French-owned railways, at an estimated cost of \$600 million.<sup>42</sup> Brazil plowed some of its surpluses into a reduction of foreign debts.<sup>43</sup> Mexico utilized its funds through the Nacional Financiera to found and expand desired industry.<sup>44</sup>

But in almost every country, despite exchange controls, importers rushed to buy whatever goods were available. During the first three post-war years, the Latin American nations incurred trade deficits totalling \$2.7 billion.<sup>45</sup> Nevertheless, their 1950 reserves, due in part to heavy exports, still amounted to \$3.1 billion, a decline of only \$700 million from the 1945 level.<sup>46</sup>

They did not experience, as they had feared in late 1944 and early 1945, a marked slump in their exports to the United States. In 1945, they sold the United States goods worth \$1.7 billion, or 42 per cent of all U.S. imports. In 1946, the first full year after the war, their sales to the United States totalled \$1.8 billion, although their share of the U.S. market declined to 38 per cent. In 1947, total Latin American exports to the United States were valued at \$2.3 billion--40 per cent of the U.S. total.<sup>47</sup> Latin America held its place as a supplier to the United States.

Neither, because of the post-war demand for goods in Europe and Asia, was there a slackening of U.S. exports

to Latin America. In 1945, the Latin American nations received goods worth \$1.3 billion from the United States--14 per cent of total U.S. exports. In 1946, they took goods worth \$2.2 billion--23 per cent of the total. And in 1947, their purchases totalled \$4 billion--or 28 per cent of all U.S. exports.<sup>48</sup>

The unit value index of U.S. exports to Latin America, between 1944 and 1947, climbed 24 points. By contrast, the unit value index of U.S. imports from Latin America climbed 59 points, on a scale based on 1936-38. The same index showed that the value of U.S. exports to Latin America advanced four points between 1944 and 1947, while the value of imports from Latin America advanced 70 points.<sup>49</sup>

In trade with the United States in the immediate post-war era, the Latin American nations fared very well. Their complaints, in retrospect, were only because they had hoped to do still better. The economic drift after 1945 was more psychological than actual. Latin America did not experience a new depression, as it had feared. It prospered handsomely.

## VI

The full onslaught of the "Cold War" by early 1947 stimulated new attention for Latin America. James F. Byrnes resigned as Secretary of State, and was replaced by General George C. Marshall, who was more conscious of Latin America's position in the global complex of U.S. policy. With some

political prodding, he moved toward an inter-American security conference which had been discussed at Chapultepec, but which had been delayed because of the continuation of a dispute between Argentina and the United States.<sup>50</sup>

Senator Vandenberg, for example, told a Cleveland audience on January 11, 1947:

I think it is past time to hold the Pan American conference which we promised in 1945. . . . There is too much evidence that we are drifting apart--and that a communistic upsurge is moving in. We face no greater need than to restore the warmth of new world unity which reached an all-time high in San Francisco.<sup>51</sup>

By June, the United States had concluded that it could accept Argentine participation in a conference aimed at preparing a hemispheric defense pact. Braden, who had been scored for "ineptness" in his handling of relations with Argentina, resigned.<sup>52</sup> Brazil moved to invite the other nations to hold the security conference there, in August.

In a further effort to improve inter-American relations, perhaps not unconnected with the aid plan for Europe, Secretary Marshall in early June asked the Senate to approve a five year extension of a revised Institute of Inter-American Affairs (IIAA). The IIAA, one of Nelson Rockefeller's war-time endeavors, would become a separate, non-profit corporation for which an annual budget of \$5 million was anticipated. Marshall's letter noted that in 1946, 35 IIAA programs, involving the "servicio" concept of joint U.S. and host country participation, were still going on. "The Latin Americans consider them a conspicuously desirable

implementation of the 'Good Neighbor' policy," the letter remarked. Congress then approved the proposal, for a three year period.<sup>53</sup>

By the summer of 1947, too, a new element had been added to U.S. foreign policy. With the "Truman Doctrine," in March, the United States had moved away from the "One World" concept, and toward a policy of containment of the Soviet Union. As a part of this, foreign economic policies were reexamined. It was realized that they could contribute to the political policy of containment, without a sharp break in the past practices of relief, reconstruction, grants and loans. Out of this, the Marshall Plan emerged.<sup>54</sup>

Secretary Marshall, speaking at Harvard University's commencement exercises on June 5, suggested that the European countries plan their economic recovery in common. He promised U.S. encouragement for this end. The European nations acted swiftly to take up his offer, and began the joint planning process.<sup>55</sup>

Although well received in Europe, the proposal created problems in Latin America. That region had received only some \$460 million of the \$50.6 billion in U.S. lend-lease operations during and immediately following the war, and \$331 million of that sum went to Brazil.<sup>56</sup> From July, 1945, to December, 1946, the Export-Import Bank had extended credits totalling over \$138 million to the other American Republics, out of total credits extended of \$2.2 billion.<sup>57</sup> And the World Bank, which had been indicated as the principal

agency for post-war credits, had yet to make a loan to a Latin American nation.<sup>58</sup> Even U.S. private investment had been disappointingly slow. Consequently, a feeling developed that Latin America was being excluded from world-wide U.S. "largesse."<sup>59</sup>

The United States, in response to this feeling, stressed that Latin America had escaped the devastation of Europe or Asia, and that the burden the United States was carrying was immense.<sup>60</sup>

Latin American ambassadors inquired, informally, if their nations would be included in the "Plan Marshall." They were told that they would not. The assistance program contemplated, which the European nations themselves were working out, would be confined to Europe.<sup>61</sup> This was not well received, and, as the Rio meeting approached, counter proposals were forthcoming.

## VII

José Vicente Trujillo, the foreign minister of Ecuador, suggested the inclusion of a general economic clause in the mutual defense pact to be discussed at Rio de Janeiro. After all, he said, "economic security of the American countries is part and parcel of continental defense. If we had some kind of a Marshall Plan for Latin America, the hemisphere might be able to help itself better and assist the Marshall Plan in Europe." Such details, he indicated, could be worked out in a full economic conference about



the time of the Ninth Inter-American conference.<sup>62</sup>

Argentina's Foreign Minister, Juan Atilio Bramuglia, disclosed that he would propose to the Rio meeting that it call "a special economic meeting of all American nations." Panama, Ecuador and Bolivia were supporting him, wholly or in part, he said.<sup>63</sup> In Colombia, and elsewhere, individual newspapers advocated a new lend-lease program for Latin America, or that the Marshall Plan be extended to build up Latin America's own economy. "Latin America is disillusioned by the post-war New Deal of the United States," one commented.<sup>64</sup>

IA-ECOSOC, curiously, did not discuss the implications of the Marshall Plan. It concerned itself with departures of members, with its budget, the lack of attendance at its sessions, and with a report on cocoa.<sup>65</sup> The matter, officially, was not before it.

The call for the conference in Rio, of course, made no reference to economic matters, and Brazil, as host country, went on record as desiring that the delegates confine their work to the announced plan for hemispheric defense.<sup>66</sup> Nevertheless, economics were very much in the background.

#### VIII

On his arrival in Rio de Janeiro, Secretary Marshall refused to discuss the economic issue, and Bramuglia's plan in particular. He indicated that he wanted to hear what the other delegations had to say. But other members of

the U.S. delegation hinted that economic emphasis would have to wait until the Ninth Conference in Bogota. An entirely separate economic conference, however, was not barred.<sup>67</sup>

President Eurico Gaspar Dutra of Brazil addressed the opening session on August 15, in the huge Swiss-styled Hotel Quitandinha at Petropolis. Predictably, he avoided the economic issue, and stressed the need for solidarity against aggressors.<sup>68</sup>

But Mexican Foreign Minister Jaime Torres Bodet, responding to Dutra, met the issue squarely. Economically weak nations, he said, could not act rapidly and decisively against aggressors--they were weakened by poverty, hunger and disease. Unless such weaknesses were opposed and overcome by the same unity of action projected against political foes, he said, the nations of America could not say that they had gone to the heart of the problem.<sup>69</sup>

The following day, Mexico filed a draft resolution asking that action on the economic issue be deferred until the Ninth Conference. Torres Bodet explained that while the economic question was "urgent," and required the speediest possible multilateral action, a meeting before Bogotá simply was not possible. By then, too, he said, the Pan American Union could prepare the ground for appropriate action.<sup>70</sup>

Among the other foreign ministers, Colombia's Domingo Esguerra noted that his nation would have economic

proposals to make when it acted as host to the Ninth Conference. Chile's Germán Vergara Donoso remarked that economic cooperation was the "inevitable complement" of continental political solidarity. The latter, he said, "may crumble and become meaningless unless it is perfected on an economic basis."<sup>71</sup>

The principal U.S. objective in the conference, of course, was agreement on the security pact. As at Mexico City, an obdurate attitude on the economic problem might prejudice the achievement of the political end. In an apparent assessment of the situation, members of the U.S. delegation agreed that the urgency of the economic problems would have to be noted in some form, although action itself might be deferred.<sup>72</sup>

Accordingly, when Secretary Marshall addressed an August 20 plenary, he devoted a considerable section of his speech to the economic problem, indicating that "more intensive economic planning" and the coordinated application of resources were needed to raise hemispheric living standards. He assured the delegates, however, that despite its "unusually heavy burdens" connected with post-war reconstruction, "we have not lost sight of the economic problems of the Western Hemisphere." "My government," he said, "will continue to take up economic questions with its sister republics and seek a sound basis for practical cooperation." He concluded:

Today in Rio de Janeiro our concern is with mutual

defense and security; tomorrow at Bogotá we shall go on to reorganize and strengthen our inter-American system and to make it a more effective agency of cooperation in the pursuit of our common interest.<sup>73</sup>

The essential thrust of the message, however, was that Europe would have precedence over assistance for Latin America, since the economic rehabilitation of Europe was vital for the economy of the Western Hemisphere. This relatively unpalatable point, however, was coupled with the assurance that the United States would be prepared to discuss Latin America's own problems at the Bogotá conference. With that, most Latin Americans seemed satisfied.<sup>74</sup> To some ears, however, it sounded as if Marshall was telling Latin America that the United States would consider a series of bilateral measures, rather than one definitive multilateral solution.<sup>75</sup>

Subsequently, the United States joined 14 of the Latin American nations in sponsoring an economic resolution. This was one of the 12 measures, other than the Inter-American Treaty of Reciprocal Assistance, which finally were approved by the Rio Conference.

That resolution directed IA-ECOSOC to prepare "a basic draft agreement on inter-American economic cooperation" for presentation at the Bogotá Conference. It further directed that a special economic conference be called during the last half of 1948. The special meeting, it said, "shall be to consider the best procedures for carrying out the agreements which have been concluded and to examine any

measures which tend to make inter-American economic cooperation more effective." Additionally, the resolution asked that specialists in economic and financial affairs be added to the IA-ECOSOC delegations.<sup>76</sup>

The point of U.S. willingness, in the future, to do something more for Latin America also was stressed by President Harry S. Truman. He had travelled to Rio de Janeiro aboard the battleship Missouri in order to address the close of the conference. He told the delegates that "we in Washington are not oblivious to the needs of increased economic cooperation within the family of American nations." At the same time, he said, the problems of development were different from those of rehabilitation. For the first, long term economic collaboration, in which "a much greater role falls to private citizens and groups," was needed.<sup>77</sup>

With the Rio Conference, then, the forces put in play at Chapultepec were maintained and even strengthened. A draft agreement for hemispheric economic cooperation would be prepared; an economic conference remained in contemplation; and a further move would be made to strengthen the Inter-American Economic and Social Council. At Chapultepec, in order to get political agreement on the United Nations, the United States had opened up discussion of the economic issue. At Rio de Janeiro, in order to assure the security treaty, it had reaffirmed, although still without detail, the promises it had made earlier.

And Argentina, meanwhile, had indicated that it

would like to be the host of the economic conference, when it was held.<sup>78</sup> It was not going to forget that invitation.

## FOOTNOTES

### CHAPTER 4

<sup>1</sup>Sumner Welles, Where Are We Heading? (New York: Harper and Bros., 1946), p. 215.

<sup>2</sup>Ibid., p. 218.

<sup>3</sup>Letter from Merwin L. Bohan to author, December 17, 1971.

<sup>4</sup>Frank Gervasi, The Real Rockefeller (New York: Atheneum, 1964), pp. 104-106.

<sup>5</sup>Bulletin of the Pan American Union (LXXIX, No. 6), June, 1945, p. 356.

<sup>6</sup>U.S., Department of State, Foreign Relations of the United States, 1945, IX, The American Republics (Historical Series, Pubn. 8452) (Washington: Government Printing Office, 1969), pp. 178-179.

<sup>7</sup>Bulletin of the Pan American Union (LXXIX, No. 10), October, 1945, p.

<sup>8</sup>Pan American Union, Actas de las Sesiones del Consejo Interamericano Económico y Social (CIES), II, 266-270. One of the replies was from Argentina; the other two are not named.

<sup>9</sup>Actas, CIES, II, pp. 150-156.

<sup>10</sup>Ibid., pp. 237-238.

<sup>11</sup>Ibid., pp. 269-270.

<sup>12</sup>Ibid., p. 272.

<sup>13</sup>Pan American Union, Actas de las Sesiones del Comité Consultativo Económico y Financiera Interamericano, XXIV, pp. 2933-2935.

<sup>14</sup>Ibid., p. 2937.

<sup>15</sup>Ibid., pp. 2933; 2963-2966; 2976-2978.

<sup>16</sup>Bulletin of the Pan American Union (LXXIX, No. 10), October, 1945, p. 597.

<sup>17</sup>Actas, CIES, I, pp. 2-4.

<sup>18</sup>Ibid., pp. 10-11.

<sup>19</sup>Ibid., p. 96.

<sup>20</sup>Ibid., p. 97.

<sup>21</sup>Ibid., pp. 131-132.

<sup>22</sup>Ibid., pp. 251-252.

<sup>23</sup>Actas, CIES, IV, pp. 529-530.

<sup>24</sup>Actas, CIES, III, pp. 390-391.

<sup>25</sup>Ibid., p. 393.

<sup>26</sup>Ibid., pp. 420-423.

<sup>27</sup>Ibid., p. 436.

<sup>28</sup>Actas, CIES, IV, pp. 674-678.

<sup>29</sup>U.S., Department of Commerce, Historical Statistics of the United States (Washington: Government Printing Office, 1961) (2nd Pntg), p. 548.

<sup>30</sup>U.S., Department of State Bulletin, "Request for Increase in Green Coffee Ceiling Prices," (XII, No. 300), March 25, 1945, pp. 512-513.

<sup>31</sup>U.S., Department of State, Report of the Delegation of the United States of America to the Inter-American Conference on Problems of War and Peace, Mexico City, Mexico, Feb. 21-March 8, 1945 (Conference Series 85, Pubn. 2497) (Washington: Government Printing Office, 1946), p. 84 (Resolution XV: "Application of Wartime Price Controls").

<sup>32</sup>Foreign Relations, 1945, IX, pp. 353-356.

<sup>33</sup>Ibid., pp. 356-357.

<sup>34</sup>Ibid., pp. 357-358.

<sup>35</sup>Ibid., pp. 358-360.

<sup>36</sup>Ibid., pp. 360-361.

<sup>37</sup>Ibid., p. 362.

<sup>38</sup>Ibid., pp. 362-363.



<sup>39</sup>Ibid., p. 364.

<sup>40</sup>U.S., Department of State, Department of State Bulletin, "Coffee Request to Brazil Terminated," (XV, No. 384), Nov. 10, 1946, p. 872.

<sup>41</sup>See United Nations, Economic Commission for Latin America, External Financing in Latin America (E/CN 12/649 Rev. 1) (New York: 1965), p. 26. This figure, however, is variously given. Donald M. Dozer, Are We Good Neighbors? (Gainesville: University of Florida Press, 1959), p. 237, notes "accumulated gold and foreign exchange holdings amounting to almost \$4.4 billion." Lawrence Duggan, The Americas (New York: Henry Holt and Co., 1949), p. 125, says "When the war ended they had a nest egg of foreign exchange of approximately \$3,367,000,000."

<sup>42</sup>Arthur P. Whitaker, Argentina (Englewood Cliffs, N.J.: Prentice-Hall, 1964), p. 126; Duggan, The Americas, p. 125.

<sup>43</sup>J. A. Camacho, Brazil: An Interim Assessment (London: Royal Institute of International Affairs, 1952), p. 53.

<sup>44</sup>Howard F. Cline, Mexico: Revolution to Evolution: 1940-1960 (New York: Oxford University Press, 1963), pp. 244-245.

<sup>45</sup>Dozer, Are We Good Neighbors? p. 238.

<sup>46</sup>U.N., ECLA, External Financing, p. 26.

<sup>47</sup>Derived from U.S., Department of Commerce, Historical Statistics, p. 552.

<sup>48</sup>Ibid., p. 550.

<sup>49</sup>See Paul V. Horn and Hubert E. Bice, Latin American Trade and Economics (New York: Prentice-Hall, 1949), p. 156, citing Foreign Commerce Weekly, May 15, 1948.

<sup>50</sup>See Foreign Relations, 1945, IX, p. 155.

<sup>51</sup>"Vandenberg Hails Covenant of 55 Nations," New York Times, Jan. 12, 1947, p. 46.

<sup>52</sup>"Brewster Links Fight on Reds to Argentina," New York Times, June 2, 1947, p. 8; Dean Acheson, Present at the Creation (New York: W. W. Norton Co., 1969), p. 190.

<sup>53</sup>U.S., Department of State, Department of State Bulletin, "Proposed Continuation of Institute of Inter-American Affairs," (XVI, No. 414), June 24, 1947, p. 1099.

<sup>54</sup>William Reitzel, Morton A. Kaplan, Constance G. Coblenz, United States Foreign Policy, 1945-1955 (Washington: Brookings Institution, 1956), pp. 116-117.

<sup>55</sup>See Joseph M. Jones, The Fifteen Weeks (New York: Viking Press, 1955), for an account of the events leading up to the Marshall Plan. The text of the Harvard address is on pp. 281-284.

<sup>56</sup>Raymond Dennett and Robert K. Turner, Documents on American Foreign Relations, VIII, July 1, 1945-December 31, 1946 (Princeton: Princeton University Press, 1948), p. 154, "Lend-Lease Aid by Country, March 11, 1941," to Sept. 30, 1946).

<sup>57</sup>Ibid., p. 640, "Statement of Credits Authorized by the Export-Import Bank from July 1, 1945, to Dec. 31, 1946."

<sup>58</sup>U.S., Department of State, Department of State Bulletin, "Aspects of American Economic and Technical Aid to Foreign Countries Since Mid-1945," (XVI, No. 411), May 18, 1947, pp. 957-962.

<sup>59</sup>Dozer, Are We Good Neighbors? pp. 243-244.

<sup>60</sup>See U.S., Department of State, Department of State Bulletin, "The Inter-American System: A Solid Foundation for the Challenge of the Future," (XVI, No. 408), April 27, 1947, pp. 769-770.

<sup>61</sup>Ibid.

<sup>62</sup>"Marshall Plan Gains as Rio Topic," New York Times, Aug. 13, 1947, p. 20.

<sup>63</sup>"Argentina Urges Economic Parley of All Americas," New York Times, Aug. 14, 1947, p. 1.

<sup>64</sup>"Press Calls for Aid by U.S. to Colombia," New York Times, Aug. 19, 1947, p. 7.

<sup>65</sup>Only three sessions were held between June 6 and September 26. At the session on July 14, Julián Cáceres of Honduras urged "a call to each and every one of us to meditate on the responsibility that we have in the discharge of the works of this council, and the same with respect to the necessity that there be a more numerous attendance at the meetings of the council." (Actas, CIES, V, p. 974.)

<sup>66</sup>"Argentina Urges Economic Parley of All Americas," New York Times, Aug. 14, 1947, p. 1.

<sup>67</sup>"World Peace Tied to America Talks," New York Times, Aug. 15, 1947, p. 1.

<sup>68</sup>U.S., Department of State, Inter-American Conference for the Maintenance of Continental Peace and Security, Quitandinha, Brazil, August 15-Sept. 2, 1947, Report of the Delegation of the United States of America (International Organization and Conference Series II, American Republics I, Pubn. 3016) (Washington: Government Printing Office, 1948), p. 7.

<sup>69</sup>Milton Bracker, "Conferees Stress Needs of Americas," New York Times, Aug. 16, 1947, p. 2.

<sup>70</sup>"Mexico Proposes Shelving Economics at Rio Conference," New York Times, Aug. 17, p. 1.

<sup>71</sup>"Joint Staff Urged in Rio Pact Draft," New York Times, Aug. 18, 1947, p. 6.

<sup>72</sup>Ibid.

<sup>73</sup>"Text of Secretary Marshall's Speech in Brazil," New York Times, Aug. 21, 1947; a partial text also is given in Inter-American Conference, pp. 8-9.

<sup>74</sup>Milton Bracker, "Conference Backs Marshall's Views," New York Times, Aug. 21, 1947, p. 12.

<sup>75</sup>Ibid.

<sup>76</sup>Inter-American Conference, pp. 52-53 (Resolution IX: "Economic Cooperation").

<sup>77</sup>"Text of Truman's Address at Close of Rio Conference," New York Times, Sept. 3, 1947, p. 2.

<sup>78</sup>"Truman Climbs a Mountain," New York Times, Sept. 4, 1947, p. 14.

## CHAPTER FIVE

### "IS THE GOOD NEIGHBOR POLICY SOUND?"

#### I

What the 1947 Rio Conference for the Maintenance of Continental Peace and Security did not do, of course, was to resolve--or even discuss in any major way--the four principal issues in inter-American economic relations, as they had emerged at Chapultepec. These were the desire of Latin America for regional trading preferences versus the U.S. desire for multilateral world-wide trade expansion; the desire of Latin America to expand its industrial development versus the U.S. interest in export promotion; economic nationalism in Latin America versus its need for foreign capital and experience; and the Latin American inclination toward controlled economies versus the U.S. ideal of free private enterprise.<sup>1</sup>

After Rio, the issue of economic nationalism became the most critical point in the continuing debate over inter-American cooperation. It was intensified, too, by the impact of the Marshall Plan and by the growing Latin American realization that the United States was undertaking to supply some billions of dollars, largely on a grant basis, for European rehabilitation. If the United States could do this for Europe, the argument developed, then why not for

Latin America? In any event, public monies, even if they were loans rather than grants, did not have the drawbacks which Latin America had experienced with private investment.

Such a feeling was reflected in the discussions of the "basic draft agreement on inter-American economic co-operation," which IA-ECOSOC had been asked to prepare for the Bogotá conference. And, at the same time IA-ECOSOC had to seek to resolve that issue, it was confronted with another major problem: the rise of a rival entity, the United Nations Economic Commission for Latin America (ECLA). Together, the two occupied much of IA-ECOSOC's time between 1947 and 1948. To an increasing degree, ECLA came to constitute an alternative power pole.

## II

Both U.S. and Latin American thinking, at the time of the Chapultepec Conference, had been that IA-ECOSOC would function as the regional unit of the United Nations Economic and Social Council. But the controversy over regional organizations resulted in a failure to spell out such relationships with any precision.<sup>2</sup>

The United Nations Economic and Social Council (ECOSOC) opened some months later than its inter-American counterpart--January 23, 1946, as against November 15, 1945. Both had organizational problems during the first year and contact was negligible. But early in 1947, ECOSOC moved to establish the first two of its regional commissions,

the Economic Commission for Europe (ECE) and the Economic Commission for Asia and the Far East (ECAFE). The Latin Americans became interested.

Two Pan American Union staff members visited ECOSOC headquarters. They explained the types of economic and social data the PAU had long collected, and were assured that such data would be accepted by the United Nations. At the same time, they were told, ECOSOC would seek to prepare and put into practice its own plans for economic development. For this purpose, ECOSOC would make direct contacts with development corporations and similar agencies in Latin America. In other words, ECOSOC would accept PAU studies, but would not work through the PAU and IA-ECOSOC.<sup>3</sup>

In early August, 1947, as a further development, Chile's Hernán Santa Cruz asked ECOSOC to study the creation of a regional commission in Latin America--similar to those planned for Europe and the Far East. He found strong support from the other Latin Americans in the United Nations. Reluctantly, the United States supported the move. It declared that "it would be better to allow the Pan American states to work out their coordinated economic development themselves on a regional basis, rather than through the United Nations," but hesitated to reject the Chilean proposal outright.<sup>4</sup> The issue of a possible conflict with IA-ECOSOC was raised. But Cuban Ambassador Guillermo Belt remarked that since IA-ECOSOC had done "nothing constructive," ECLA could hardly interfere with its activities.<sup>5</sup>

When IA-ECOSOC took up the proposal, two tendencies were evident. Ricardo Sarabasa of Cuba said his nation felt IA-ECOSOC lacked the means to carry out the necessary studies. Antonio Carrillo Flores of Mexico said America's problems could better be studied by a purely inter-American commission than by one formed by the United Nations. Nevertheless, he said, if other world regions were to have economic commissions sponsored by the United Nations, it would be a "matter of justice" that Latin America have one.<sup>6</sup> Later, Carrillo Flores said that if the World Bank were to be the chief dispenser of development credits, then a United Nations economic group, with ties to the World Bank, would be of definite advantage to the American republics.<sup>7</sup>

Even after several meetings, IA-ECOSOC could not resolve its position. Then Santa Cruz, who was seeking ECOSOC's presidency, appeared. He urged IA-ECOSOC support, or tolerance, for the creation of ECLA. ECLA, he stressed, would study the problems of the continent as a continent, whereas IA-ECOSOC could occupy itself with more specific studies.<sup>8</sup> Juan Rafael Oreanuno of Costa Rica objected to such a position. He said that while a commission could make studies, "help is in America," and not in Europe. The implication was that only the United States could provide the development funds Latin America wanted.<sup>9</sup>

A deciding element in the argument was added in January, 1948. Antonio Rocha of Colombia reported that the United Nations could spend \$1 million in economic

research in Latin America over the next three years. Further, he said, the U.N. regional commissions were not planned as permanent bodies, and would have only three years of life.<sup>10</sup> With this, IA-ECOSOC on January 15, 1948, indicated its approval of the immediate creation of ECLA, subject to the decisions of the Ninth Conference. The resolution stipulated that funds for ECLA should come from the regular budget of the United Nations, and that it should coordinate its work with IA-ECOSOC. U.S. representative Paul Daniels objected. Coordination, he said, was not easy to achieve, especially when two agencies had "legally identical functions."<sup>11</sup>

Subsequently, the United Nations Economic and Social Council, without waiting for the opinion of the imminent Ninth Conference, voted the creation of the Economic Commission for Latin America.<sup>12</sup> In retrospect, the move served to diminish the already weak authority of IA-ECOSOC. It was obvious that the Latin American nations desired a counterweight to U.S. influence in IA-ECOSOC. The rationalization for the move was that if ECLA could make the necessary studies, in its three years of life, Latin America could save on quotas for the support of IA-ECOSOC. There would be a direct return on their quotas to the United Nations, and a potential benefit in the relation between ECOSOC and the World Bank.



## III

At the same time that it was occupied with the struggle over the creation of ECLA, IA-ECOSOC also was engaged in preparing the draft economic agreement for the Bogotá conference. That conference, initially, had been scheduled for December, 1946, but then had been postponed until January, 1948, and again to March 30, 1948.<sup>13</sup> The principal task before it was the reorganization of the inter-American system through the conclusion of a Charter of the Organization of American States, incorporating previous agreements in the political, juridical, cultural, economic and military fields.

IA-ECOSOC assigned an augmented "special committee" to the task of preparing the draft economic agreement. On December 18, 1947, the committee presented its preliminary efforts to the full Council. This draft was sent to the various governments for their comments. Only five nations, Brazil, Chile, Ecuador, Mexico and Uruguay, replied, an indication of low esteem for IA-ECOSOC. On the basis of their observations, the IA-ECOSOC committee made further changes in the draft, before sending it on to the Bogotá conference, for action.

The most controversial proposal concerned private investment. The United States wanted language requiring "prompt, adequate and effective compensation" in cases of expropriation. But the committee voted to eliminate this, so prompting a U.S. objection. Both the U.S. government

and private industry attached "great importance" to the principle, the U.S. representative said. A Uruguayan proposal, calling for the preparation of a code on private investment, also was rejected by the committee.<sup>14</sup>

On trade, another sensitive issue, the committee was unable to reach a firm recommendation. It noted that the International Conference on Trade and Employment, then in its final phase in Havana, was discussing trade in a world-wide context. The Havana recommendations, relating to an International Trade Organization, should be awaited before formulating inter-American principles, the committee said. In essence, trade was left for the Bogotá conference itself to discuss.<sup>15</sup>

Cuba, which was angry over cuts in U.S. sugar purchases, proposed language proscribing "unilateral economic sanctions." Two separate sub-committees studied that proposal, and failed to agree. So it was decided to leave that matter, too, for Bogotá.<sup>16</sup>

Maritime transportation also caused some dispute. Ecuador asked, and got, elimination of a proposed pledge against discriminatory treatment. Chile asked that merchandise purchased with foreign credits not be subject to special shipping conditions. The United States claimed that this point was covered by language calling upon member states to eliminate laws or regulations limiting international trade. Colombia sought draft language indicating that restrictions were permissible where efforts were being

made to create or develop national merchant marines. The United States still refused support for the suggestion.

On February 25, the U.S. Department of State made public the draft document prepared by IA-ECOSOC, and commented:

This draft agreement does not commit the U.S. Government, or any other government, in any way with respect to the position its delegation may take at the [Bogotá] conference. In a number of important respects, in fact, the draft is at variance with the view of this government, and reservations have been entered by the United States in the Council, particularly with respect to provisions relating to assurances and safeguards for private American enterprise abroad.<sup>18</sup>

Further, the final draft, 12 chapters and 40 articles, made no reference to the Marshall Plan. Carrillo Flores indicated that the committee felt that principles were more important than temporary programs, and, in any event, had not been able to agree on a joint position on the Plan.<sup>19</sup>

#### IV

The Latin American attitude, evinced in part by letters to IA-ECOSOC from Foreign Ministers Enrique García Gayán of Peru and Jaime Torres Bodet of Mexico, was ambivalent. There was no disagreement on the need to assist Europe, or to reap the benefits of the increased demand for Latin American products which, almost inevitably, the program would bring. Even the avowedly anti-communist nature of the plan, once its scope was clear, had general support.

But other aspects perturbed the Latin Americans.

They were indignant that the United States, in preparing the plan, had not taken them into account, by consultations through IA-ECOSOC or bilaterally. Then, García Gayán indicated, the Europeans also erred, in preparing their own estimates of needs and resources, without consideration for Latin America. The Latin American role, he said, was limited to "that of providing with its own and existing resources, the raw materials and products that Europe can need."<sup>20</sup> But most disturbing of all was that Latin America would not share in the public funds which would be applied for European reconstruction. Latin America's own undeniable contributions to the program, he argued, could come more quickly if it also were given "adequate and opportune aid in financing, equipment and techniques."<sup>21</sup>

Mexico's Torres Bodet maintained essentially the same thesis. He contended that Latin America's development needs should at least be placed on the level of importance and urgency of European reconstruction.<sup>22</sup> What each feared, but did not say specifically, was that any U.S. plan for priorities would place Europe first and Latin America second, or worse.

Both U.S. Assistant Secretary of State Willard Thorp and Export-Import Bank President William McChesney Martin appeared before IA-ECOSOC during November to explain the U.S. position.<sup>23</sup> But a more definitive statement was given by Assistant Secretary Norman Armour in a December 9, 1947, speech to the Pan American Society of New York.<sup>24</sup>

Armour reiterated a premise that there could be no world-wide prosperity without full European recovery. He reaffirmed U.S. interest in the economic development of Latin America. But proposals that the United States make available "billions of dollars" for this purpose, he said, "are not possible of attainment." Instead, both the World Bank and Export-Import Bank would make loans "to supplement private investments."

As President Truman had done at Rio de Janeiro, he drew a distinction between Europe's situation and that in Latin America. Europe's needs, he said, were short term. But those of Latin America were long range, requiring "as much as 20 to 30 years" for fulfillment. If Europe's needs for fuel, food and raw materials were not met, it might not survive; Latin America, which did not have those same needs, could. Therefore, Latin America could wait, and even contribute toward European recovery, as vital to its own interests.

Armour admitted that the demand for capital goods, by U.S. industry, European recovery and Latin American replacement and development, might accentuate already existing shortages. But export controls, he declared, would be administered "with fair and equitable treatment for all."

Later, perhaps under the pressure of the letters from García Gayán and Torres Bodet, the United States amplified the rather vague promise for equitable treatment in export controls. IA-ECOSOC was told that "goods and

equipment which will make possible a prompt and efficient increase in Latin American production and export of items essential to European recovery" would be supplied "to the greatest extent possible." This was so as to maintain "the continuity of industrial development in the other American Republics."<sup>25</sup>

Nevertheless, Latin American criticism continued. Colombian officials remarked that the United States had lost interest in economic cooperation with Latin America and was concentrating solely on Europe.<sup>26</sup>

But such Latin American criticism of the United States found a counterpart in U.S. criticism of Latin American attitudes. Even as the Rio Conference was ending, an anonymous expert, under the name "Acierto," wrote a bitterly critical article in the quarterly magazine Inter-American Economic Affairs. He accused the Latin Americans of blinding themselves to the need for self-help, and putting "the issue of economic progress baldly up to the United States." Before seeking aid, he said, Latin America should "clear the barriers to economic freedom that could be removed without outside assistance."<sup>27</sup>

As the Bogotá Conference itself neared, the U.S. business community set forth its thinking. The business-oriented National Foreign Trade Council, through an affiliate, the Council for Inter-American Cooperation, recommended that foreign business be assured against expropriation, nationalization or impairment of property rights. The

same Council, largely composed of firms with interests in Latin America, also recommended that the foreign investors be permitted to take in and bring out capital and earnings freely, and be accorded equal treatment with nationals.<sup>28</sup>

Once IA-ECOSOC had approved the draft economic charter, the parent Foreign Trade Council attacked the proposals. Their adoption, the Council said, "would weaken the business structure of the Western Hemisphere." It called upon the U.S. government to take "a firm stand in defense of private investment," and oppose measures which the Trade Council said would "further state regulation and control . . . and further retard the flow of capital to undeveloped areas."<sup>29</sup>

The National Association of Manufacturers (NAM) also registered its objections to the economic proposals planned for Bogotá. Specifically, it recommended elimination of IA-ECOSOC's "potential power" to act as an inter-governmental agency for economic planning. The NAM further suggested less emphasis on governmental lending, and urged compensation in cases of expropriation.<sup>30</sup>

Three days before the opening of the Bogotá conference, another anonymous article, "Is the Good Neighbor Policy Sound?" appeared in the widely-circulated Sunday magazine section of the New York Times. It was written by "Americus," said to be a U.S. government official specializing in Latin American affairs.<sup>31</sup>

"Americus" admitted that at Bogotá, the Latin Americans would seek to obtain further commitments on financial

aid from the United States. He agreed that the position of the United States in world affairs was linked to a prosperous and friendly Latin America. But, he said, while it would be unfortunate to lose gains made under the "Good Neighbor" policy, "it is obvious that we cannot continue indefinitely a program of official subsidization of that area." "We should make it clear," he asserted, "that our past official loans to Latin American countries were deemed necessary largely for reasons of national security." Further official aid, he said, should be justified "by other and more tangible peacetime considerations."

So, challenged both in Latin America, and at home, the U.S. delegation prepared to leave for Bogotá. Besides Secretary Marshall, it included Treasury Secretary John W. Snyder, Commerce Secretary W. Averell Harriman, Agriculture Under Secretary Charles W. Brannan, Assistant Secretary Armour, Ambassadors Willard Beaulac, William T. Pawley and Walter J. Donnelly.<sup>32</sup>

## VI

The Ninth International American Conference formally opened at 4:30 p.m. on March 30, 1948, in the Central Hall of Colombia's National Capitol building. Colombia's President Mariano Ospina Pérez spoke first. He reviewed past conferences, the need for a "constitution" for the inter-American system, and then invited technical and financial cooperation for the realization of the principles agreed



upon in the United Nations Charter.<sup>33</sup>

In six plenary sessions, 19 other spokesmen gave the views of their delegations. Almost without exception, they stressed the need for further efforts in the economic field.

Ambassador João Neves da Fontoura of Brazil and Foreign Minister Jaime Torres Bodet of Mexico sounded themes to which the other Latin American nations were especially sensitive.

Neves da Fontoura said economic cooperation was even more pressing than the political problems to be considered. Latin America, he asserted, did not wish "to remain in the status of semi-colonial agriculture-based economies, with the only privilege of exporting raw materials and importing manufactured articles." It wanted "mutually acceptable multilateral contracts, in favorable conditions, at a just price, and without any discrimination." The time had come, he said, to give "economic substance" to Pan Americanism.<sup>34</sup>

Torres Bodet, in his turn, said that Mexico did not agree with practices which made some countries producers of raw materials and others producers of manufactured goods. Free access to raw materials, he said, needed to be complemented with the payment of adequate prices and access to the means of production. Is development any less urgent than reconstruction? he asked.<sup>35</sup>

Among the other speakers, Venezuela's Rómulo Betancourt urged the Latin American nations to prepare

lists of their needs, and their resources. These, he said, could be discussed at the scheduled economic conference.

"The blunt and naked truth," he asserted, "is that the United States needs Latin America and Latin America needs the United States. These 20 republics constitute the closest and surest market for manufactured goods; and the countries of Latin America have in their neighbor to the north a consuming center essential for the products of their soil and subsoil."<sup>36</sup>

Chile's Juvenal Hernández took something of the same position, proposing the creation of a Western Hemisphere economic group which would be self-sufficient.<sup>37</sup>

When his turn came, early in the series of plenary sessions, Secretary Marshall chose to discuss only briefly the projects on the reorganization, consolidation and strengthening of the inter-American system. Instead, he devoted the bulk of his speech to the economic problems before the conference.

The U.S. economy alone, he said, could not bear the burdens necessary for the restoration of prosperity. Nevertheless, the United States would continue to give "careful consideration" to the interests of the American nations. He said the 1945 Economic Charter of the Americas pointed the way toward Latin American development "through the encouragement of private enterprise and the fair treatment of foreign capital," and that the Bogotá conference had to find workable methods to apply the Mexico City principles.

The United States, he continued, would support the prompt preparation of development plans, with realistic goals of accomplishment. He also disclosed that President Truman would ask the Congress for a \$500 million increase in the lending authority of the Export-Import Bank. Also under consideration were measures to liberalize tax treatment on capital invested abroad, an expansion of cooperative efforts to improve health, sanitation, education and agricultural and industrial processes.<sup>38</sup>

All of these, of course, were positive points, and were well received. But attention turned to the agreements and resolutions submitted for conference consideration.

## VII

The Economic Agreement of Bogotá was only one of five major documents prepared at the Ninth Conference. The other four included the Charter of the Organization of American States; the American Treaty on Pacific Settlement, or "Pact of Bogotá"; an inter-American convention promising civil rights to women; and a similar convention promising political rights to women.

Other documents which were prepared included an American Declaration on the Rights and Duties of Man; an Inter-American Charter of Social Guarantees; a statute for the Inter-American Commission of Women; and a resolution for the preservation and defense of democracy in America. The last was an "anti-communist" resolution declaring that

the "political activity of international communism or any other totalitarian doctrine is incompatible with the concept of American freedom."<sup>39</sup>

The Economic Agreement, however, was the most intensely debated of the five major documents. The other work of the conference had been completed by April 30, but debate still continued on the Economic Agreement. So an unusual expedient was adopted: the closing plenary was divided into two sessions, April 30 and May 2. The political and other documents were approved on April 30, and the Economic Agreement on May 2.<sup>40</sup> Despite the additional two days' discussion, there still was no meeting of the minds. Several economic resolutions had to be referred to IA-ECOSOC for more detailed consideration and presentation at the Economic Conference, expected to be held later in the year in Buenos Aires.

A part, but only a part, of the difficulty was the temporary disruption of the conference by the disorders which swept Bogotá in the wake of the April 9 assassination of Jorge Elícer Gaitán, a Liberal party leader. Over 200 persons were killed in the "Bogotázo," as it came to be called. The rising officially was blamed on left-wing and communist elements, said to have been seeking to discredit the Conference.<sup>41</sup> The disruption set back the work of all the committees, including that on economic matters. But a larger part of the difficulty was the intransigence of positions on the matters with which the committee dealt.

Over 100 amendments were proposed to the draft agreement submitted to the conference by the Inter-American Economic and Social Council. Some of the proposals--notably those presented by the United States--amounted to a complete rewriting of the draft. Other nations suggested amendments on draft sections of particular concern to them.<sup>42</sup> A further complication was that some 20 other draft resolutions, not directly relating to the economic agreement, also were presented. Other proposals arose in the course of committee discussion. In some of these latter instances, it was found that their intent could be covered in the Economic Agreement. But where this was not possible, separate resolutions had to be prepared.

Essentially, however, the economic work of the conference was focused on the Economic Agreement. The theory was that it would provide general principles from which the later Economic Conference could work.

An immediate difficulty was that IA-ECOSOC had not completed work on the draft which the conference had to consider. On commercial matters, IA-ECOSOC had preferred to await the conclusions of the Havana Conference on International Trade. That conference did not complete its work until late March, just shortly before the Bogotá meeting. So language on commercial policy had to be inserted by the Ninth Conference itself.

The United States suggested that "three short excerpts" from the draft charter of the International Trade

Organization, prepared at Havana, be included in the Economic Agreement. Mexico, however, made counterproposals, and the committee split. Finally, deadlocked, it agreed that the United States would withdraw its proposals, and that the issue be referred to IA-ECOSOC.<sup>43</sup>

The bulk of the Bogotá discussion, then, turned on the draft agreement as it had been prepared by IA-ECOSOC. Two sections, on private investment and transportation, drew the most attention. But in its final form, the economic agreement followed reasonably closely the IA-ECOSOC text, with most of the U.S. amendments.

An exception, however, was the chapter on private investment, which caused hours of debate. IA-ECOSOC had eliminated from the draft language a requirement that compensation be made in a prompt, adequate and effective manner when expropriation occurred. The United States, in its suggested amendments, wanted such language included. Mexico led a chorus of objections.

Mexico's Constitution, Mexico's Antonio Carrillo Flores pointed out, contained provisions explicitly permitting compensation over a period of time. If the U.S. position were accepted, he argued, an international agreement would be given precedence over a national constitution--thereby wounding national sovereignty. Mexico preferred that the language on compensation be dropped, or, if this could not prevail, that it be limited by a qualifying clause in the sense that compensation be in accord with the

national constitution.<sup>44</sup>

The United States, however, insisted that its language be included. U.S. Ambassador to Brazil, William D. Pawley, who had wide business interests, indicated that if the entire document were to be handled as an agreement, rather than as a treaty or convention, the United States could accept the Mexican proposal. The difference, he said, was that a treaty would have to go before the U.S. Senate. Without the compensation clause, he predicted, it could not pass. An agreement, on the other hand, did not require Senate ratification.<sup>45</sup>

The other Latin Americans, however, clearly preferred that the economic understandings, whatever their form, have the force of a treaty--that they be binding on the United States. So, on the vote, the Mexican proposals were rejected. The prompt payment language was included, 14 to 5, and the qualifying clause referring to national constitutions was rejected, 10 to 9.<sup>46</sup> Although this constituted a victory, of sorts, for the United States, it also produced reservations by Ecuador, Mexico, Argentina, Uruguay, Guatemala, Cuba, Venezuela and Honduras.<sup>47</sup>

The debate over maritime transportation was less heated, with controversy arising from the desire of Ecuador, Colombia and Venezuela to permit their "Grancolombiana" merchant fleet to give member preferences to their shipping, regardless of the individual flag flown. This ran counter to an objective also evident at Havana, to end all

discrimination on shipping engaged in international trade. Despite careful drafting, the three nations found it necessary to make reservations on the section in its final form. They were joined by Chile and Cuba.<sup>48</sup>

The United States also was forced into reservations. It objected to an article calling for a balance between the prices of raw materials and the prices of manufactured products. It also objected, and reserved its position on language proposing inter-American cooperation on commodity agreements, and permitting preferential trading arrangements between states with common boundaries. A fourth reservation was recorded on a proposal guaranteeing paid vacations for all workers, and giving all workers tenure.<sup>49</sup>

In essence, however, the Economic Agreement of Bogotá went further than its predecessor, the Economic Charter of the Americas. The Charter was a statement of goals, but the Agreement, to a considerable degree, translated the goals into more specific terms--on which a very substantial degree of inter-American accord was reached.

The Agreement, however, was flawed by the reservations made to it, reservations which were dictated more on psychological and theoretical grounds than for practical or even juridical reasons. These reservations put the whole achievement in doubt, and were reflected in its other flaw: in order to become binding, it had to be ratified by 14 nations. Only three nations subsequently did so--Costa Rica, Panama and Honduras. The general Latin



American feeling was said to be that the Agreement "did not sufficiently recognize the principle that foreign capital must be subject to the national laws and national courts."<sup>50</sup>

## IX

The effect, then, of the Bogotá Conference?

Ambassador Pawley, speaking to the press, termed it "a magnificent success, a great achievement."<sup>51</sup>

Assistant Secretary Norman Armour, reviewing the economic aspects of the meeting a little later, said the aim of preparing a basic agreement for economic cooperation had been "satisfactorily executed."<sup>52</sup>

The New York Times commented: "Speaking for the record, any Latin is sure to say things came out better than ever. But the reaction of independent observers certainly is that relations were not bettered and possibly were worsened, primarily because South America did not get the financial aid it wanted from the United States."<sup>53</sup>

But Rómulo Betancourt, chief of the Venezuelan delegation, did go on the record, remarking somberly: "The balance of the laborious deliberations we have held is not fully satisfactory. . . . The hopeful counterpart of this undeniable reality is constituted by the convocation of a specialized economic conference. . . . This conference has a transcendental importance."<sup>54</sup>

The significance of Bogotá is that despite a

reasonably forthright statement of what the United States would and would not do, Latin America still had not given up on the idea of preferential treatment. The fact that the United States had acceded to so much in the Economic Agreement led to some hope that the remaining differences could be resolved. And the Economic Conference was still to come.

At the same time, Rómulo Betancourt had raised a significant question: What could and would Latin America do for itself? That had gone without a favorable response.

## FOOTNOTES

### CHAPTER 5

<sup>1</sup>See Richard F. Behrendt, Inter-American Economic Relations: Problems and Prospects (New York: Committee on International Economic Policy, 1948), pp. 43-71.

<sup>2</sup>Pan American Union, Actas de las Sesiones del Consejo Interamericano Económico y Social, Vol. V, p. 739. This also is implied in the Dumbarton Oaks proposals. Inis L. Claude, Jr., "The O.A.S., the U.N., and the United States," International Conciliation, No. 547, March, 1964, pp. 3-4, says that the San Francisco Conference decision to make the United Nations the primary agency in the sphere of international politics "provided no precise indication of the contemplated division of competence between it and the regional agencies." However, the Pan American Sanitary Bureau, which had arisen through inter-American consultations, and had been loosely attached to the Pan American Union, ultimately became the Western Hemisphere arm of the World Health Organization.

<sup>3</sup>PAU, Actas, CIES, VI, p. 1076; V, pp. 830-831; also see Yale H. Ferguson, "ECLA, Latin American Development and the United States," unpublished manuscript, Columbia University, 1961.

<sup>4</sup>"U.N. to Study Plan for Latin Economy," New York Times, Aug. 12, 1947, p. 37.

<sup>5</sup>Quoted by John C. Campbell, The United States in World Affairs, 1947 (New York: Harper & Bros., 1948), p. 132.

<sup>6</sup>PAU, Actas, CIES, VI, pp. 1054-1057.

<sup>7</sup>PAU, Actas, CIES, VI, pp. 1086-1087.

<sup>8</sup>Ibid., VII, pp. 1159-1172.

<sup>9</sup>Ibid., pp. 1171-1172.

<sup>10</sup>Ibid., pp. 1250-1251. IA-ECOSOC's own budget, at this time, amounted to about \$60,000 annually.

<sup>11</sup>Ibid., pp. 1275-1286.

<sup>12</sup>Benjamin H. Higgins, United Nations and U.S. Foreign Policy (Homewood, Ill.: Richard D. Irwin, Inc., 1962), pp. 96-97; 101-104.

<sup>13</sup>U.S., Department of State, Ninth International Conference of American States, Bogotá, Colombia, March 30-May 2, 1948, Report of the Delegation of the United States, with Related Documents (Pubn. 3263, International Organization and Conferences, Series II, American Republics 3) (Washington: Department of State, 1948), p. 2.

<sup>14</sup>Actas y Documentos, Novena Conferencia Internacional Americana, 6 v. (Bogotá: Ministerio de Relaciones Exteriores, 1953), IV, pp. 256-266. A report of the Special IA-ECOSOC Committee which prepared the agreement.

<sup>15</sup>Ibid., p. 255; Department of State, Ninth Conference, pp. 77-78.

<sup>16</sup>Actas, Novena Conferencia, IV, pp. 257-260.

<sup>17</sup>Ibid., pp. 264-265.

<sup>18</sup>"Draft Agreement on Inter-American Economic Cooperation Prepared," Department of State Bulletin (XVIII, No. 453), March 7, 1948, pp. 308-311.

<sup>19</sup>PAU, Actas, CIES, VIII, p. 1407.

<sup>20</sup>PAU, Actas, CIES, VIII, pp. 1374-1377.

<sup>21</sup>Ibid.

<sup>22</sup>Ibid., pp. 1387-1388.

<sup>23</sup>PAU, Actas, CIES, VI, pp. 1114-1122; 1136-1142.

<sup>24</sup>Norman Armour, "Economic Aspects of the Bogotá Conference," Department of State Bulletin (XVII, No. 442), Dec. 21, 1947, pp. 1214-1218.

<sup>25</sup>"E.R.P. to Aid in Industrial Development in Latin America," Department of State Bulletin (XVIII, No. 449), Feb. 8, 1948, p. 184.

<sup>26</sup>"Marshall Denies Army Blocks ERP," New York Times, Jan. 22, 1948, p. 3.

<sup>27</sup>"Acierto," "A Marshall Plan for Latin America?" Inter-American Economic Affairs (I, No. 2), September, 1947, pp. 3-20. This seems to me to parallel the thinking of Simon G. Hanson, the editor.

<sup>28</sup>"Studies Prepared for Bogotá Talks," New York Times, Feb. 2, 1948, p. 25.

<sup>29</sup>"Free Enterprise Sought at Bogotá," New York Times, March 22, 1948, p. 31.

<sup>30</sup>"Asks Major Changes in Bogotá Program," New York Times, March 20, 1948, p. 5.

<sup>31</sup>"Americus," "Is the Good Neighbor Policy Sound?" New York Times, VI, p. 11, March 28, 1948.

<sup>32</sup>Department of State, Ninth Conference, p. 4.

<sup>33</sup>Actas, Novena Conferencia, I, pp. 123-127.

<sup>34</sup>Ibid., pp. 130-131.

<sup>35</sup>Ibid., pp. 138-143.

<sup>36</sup>Ibid., pp. 180-186.

<sup>37</sup>Ibid., pp. 144-148.

<sup>38</sup>Department of State, Ninth Conference, pp. 309-317; also Actas, Novena Conferencia, I, pp. 152-158 (in Spanish).

<sup>39</sup>See Actas, Novena Conferencia, for the full texts, in each of the four official languages of the conference, of the instruments and final act, as signed by the delegations.

<sup>40</sup>Actas, Novena Conferencia, I, pp. 254-261.

<sup>41</sup>"Rioting Breaks Out in Bogotá," New York Times, April 10, 1948, p. 1. Other details are given on the two subsequent dates.

<sup>42</sup>These amendments, by chapter and article, appear in Actas, Novena Conferencia, IV, pp. 367-369.

<sup>43</sup>Department of State, Ninth Conference, pp. 77-78.

<sup>44</sup>Actas, Novena Conferencia, IV, p. 556.

<sup>45</sup>Ibid., pp. 562-564; 574.

<sup>46</sup>Ibid., pp. 598-602.

<sup>47</sup>Actas, Novena Conferencia, VI, pp. 152-155.

<sup>48</sup>Department of State, Ninth Conference, pp. 72-75; Actas, Novena Conferencia, VI, pp. 151 and 154.

<sup>49</sup>Actas, Novena Conferencia, VI, pp. 151-154.

<sup>50</sup>Donald M. Dozer, Are We Good Neighbors? (Gainesville: University of Florida Press, 1958), pp. 244-245.

<sup>51</sup>"U.S. Aide Comments Results of Bogotá," New York Times, April 30, 1948, p. 9.

<sup>52</sup>Norman Armour, "The Bogotá Conference," Department of State Bulletin (XVIII, No. 465), May 30, 1948, pp. 714-715.

<sup>53</sup>"End at Bogotá," New York Times, May 2, 1948, p. 2E.

<sup>54</sup>Actas, Novena Conferencia, I, pp. 256-257.

## CHAPTER SIX

### "LITTLE IF ANYTHING HAPPENED"

After Bogotá, then, the emphasis in Latin America's plea for a special relationship with the United States shifted slowly toward a demand for greater U.S. loan support for Latin American development. The request for regional trading preferences, or commodity agreements which would benefit Latin American exports, of course, was not completely abandoned. The United States, although it had allowed the Inter-American Coffee Agreement to expire, did discuss agreements on sugar, tin and wheat, although on a world-wide basis.

At Bogotá, although it had stressed the virtues of private investment, and told the Latin Americans that they should look to it to provide the bulk of the funds for development, the Truman Administration also noted that it was requesting a \$500 million expansion in the lending authority of the Export-Import Bank. These funds, it indicated, would be available for short and medium term lending to Latin America.<sup>1</sup> It did not give a definitive "no" to the idea of an inter-American bank, which had been revived at Bogotá.

Nevertheless, the proposal to go beyond general principles, and put the economic relationships of the

Americas into a specifically binding legal form, had not prospered. So, some Latin American nations focused on bilateralism rather than multilateralism. They sought to work out direct advantages for themselves in their economic relations with the United States. This was the tendency for the next four years, through the second Truman Administration.

All multilateral endeavors, of course, were not abandoned. To the contrary, they continued. The United States particularly stressed cooperation for security. But in economic matters, emphasis was concentrated on bilateral arrangements.

A principal reason was the "boom" in commodity prices, caused first by Marshall Plan purchases and later by the Korean War. Most of the Latin American nations prospered. This, in turn, relieved some of the pressures for development assistance. Secondly, the World Bank's "log jam" on credits to Latin America was broken. In 1948 it made loans to Chile and Mexico. Thirdly, the "Point Four" program of technical assistance, announced by President Truman in his 1949 inaugural, gave help in agriculture, health, housing and roads. And, negatively, the failure of the International Trade Organization (ITO), weakened the prospects for multilateral trade pacts.

With all this, there was a slow process of economic "re-thinking" by the United States--a process which, very largely, resulted in the reaffirmation of traditional



policies. But in 1948, the immediate problem was the inter-American economic conference, agreed to at Rio de Janeiro, and again called for at Bogotá.

## II

Under the steps outlined in the Bogotá resolution, the Latin American nations were to provide data on their needs and problems. Their assessments would be examined by IA-ECOSOC, which would prepare studies on the pertinent points. Then, with adequate material to draw on, the conference itself could take place, in October.<sup>2</sup>

IA-ECOSOC, however, was concerned over coordination of its work with that of ECLA. So it did not get around to preparing the appropriate questionnaires until September. It became obvious that a postponement, beyond October, would be necessary. Enrique Corominas of Argentina on August 19 diplomatically noted that his government would prefer a March date. The United Nations, he said, would meet in September. Then there were problems of "political renovation" in certain countries, an apparent reference to the elections in the United States.<sup>3</sup> The Council agreed a postponement was in order.

A seven point agenda, including proposals for discussion of an inter-American bank and private investment, was approved by the Council on August 26. In October, the data questionnaires finally went out, with return requested by December 15. While awaiting the replies, a

special preparatory committee, headed by Dr. Octavio Paranaguá of Brazil, met 34 times, preparing other documents.<sup>4</sup>

The data requested from the governments, however, was not forthcoming. Dr. Paranaguá reported on January 19, 1949, that a questionnaire on development plans had drawn only one complete reply and six partial ones. Only six nations had replied to another asking five year projections on needs for equipment, basic articles, raw materials, capital and credit. Even if all such information were available the next day, Dr. Paranaguá said, it still would take 28 working sessions to put the studies together. He suggested a further postponement of the economic conference.<sup>5</sup>

Argentine representative Juan Scarpatti was agreeable. If the studies were not ready, he said, few practical results could come from the conference. So, while Argentina felt that the conference should be postponed, it nevertheless wanted it held, and held in Buenos Aires.<sup>6</sup> With only 13 members present, IA-ECOSOC on February 9, 1949, voted unanimously for postponement, without specific date. Again, the governments were to be asked to provide data for the studies.<sup>7</sup> There, the matter rested.

A difficulty for the majority of the Latin American nations in supplying the data asked by IA-ECOSOC, of course, was that they had no development plans. In some instances, they may even have lacked the technicians who could put the "raw" economic data, which most of them did collect,

in the form asked by IA-ECOSOC. There also may have been a certain distaste for supplying such sensitive information, if it were available, to an international entity, particularly one in which the U.S. influence was strong.

In any event, due to the reluctance of the Latin American nations to supply data, the "lost" conference almost became lost, in fact.

### III

A further problem for IA-ECOSOC, when it resumed its work after the Bogotá conference, was the Economic Agreement of Bogotá. Ten nations had entered 15 reservations, eight of them on the article dealing with private investment. Was the whole agreement inoperative because of the reservations?

The United States gave IA-ECOSOC a memorandum on the problem. It was questionable, the memorandum said, that an American nation which signed the Agreement, without reserves, was obligated to comply with the clauses on which reservations were placed. Further study, with more time, could reduce or eliminate the reservations, the memo suggested.<sup>8</sup>

In subsequent discussion, Mexico's Alfonso Cortina argued that a reservation was an integral part of the agreement, and that the agreement itself would have to be revised. Department of State Counselor Seymour Rubin agreed that IA-ECOSOC itself had no power to change the agreement, but

said that it could make recommendations to the Buenos Aires conference.<sup>9</sup>

Dr. Paranaguá of Brazil remarked that it would be useless to go to Buenos Aires without agreement. Otherwise, he said, the conference would result in "mere recommendations, pieces of paper with words on them." If there were to be any investment in Latin America, he said, it would come from the United States. Yet such investment would not come without "a minimum of guaranties that every country ought to give the investor."<sup>10</sup> So, a special committee was set up to study the problem. Silvio Villegas of Colombia remarked: "We cannot hope that any of our congresses, and, in any case, the Congress of the United States, will begin to discuss the [Economic] Charter of Bogotá while the reservations remain."<sup>11</sup>

The committee reported on February 14, 1949. It recommended a draft additional article to the agreement. On investment, this article called on all states to recognize the "Calvo clause," which prohibited foreign governments from interfering in economic disputes on behalf of their nationals.<sup>12</sup> After further discussion, the draft article was sent on to the member governments for their opinions. By early 1950, some few replies had been received. The First Special (Annual) Meeting of IA-ECOSOC in March, 1950, discussed these observations. It concluded that although some objections appeared to have been eliminated, others still remained and required further study.

The Inter-American Juridical Committee, IA-ECOSOC decided, should review "the juridical scope of reservations to international multilateral pacts."<sup>13</sup> The Juridical Council, accordingly included the item on its extensive work program--in effect temporarily burying the Economic Agreement of Bogotá.

#### IV

The Bogotá Conference also had asked IA-ECOSOC to study the advisability of creating an Inter-American Development Bank or Inter-American Development Corporation. Specifically, IA-ECOSOC was directed to convene a group of technical experts to revise the draft Convention and Statutes originally prepared in 1940. These had failed to obtain the necessary Latin American ratifications. But the revised convention was to be presented to the Buenos Aires Economic Conference, in apparent hope that a larger measure of support would be possible.<sup>14</sup>

Other studies, however, were deemed more urgent. It was not until December 31, 1948, that three experts, all from the Pan American Union, were named to review the 1940 plan.<sup>15</sup> They reported in March, 1949, listing advantages and disadvantages. An important point, the committee noted, was that the United States had asserted that it would not contribute.<sup>16</sup> Latin America's actual needs, the committee said, were difficult to estimate, since the governments had not responded to the IA-ECOSOC questionnaires.

Nevertheless, the committee estimated that Latin America could reasonably absorb from \$5 to \$6 billion in foreign capital in the decade after World War II.<sup>17</sup>

By the time the report was presented, the Buenos Aires Economic Conference had been postponed. So IA-ECOSOC put the question on the agenda for its First Special Session.

There, a sub-committee reported that "under present circumstances" the creation of the Bank was "neither feasible nor advisable." "Neither in the international money markets nor in the governments of countries with surplus resources of capital is opinion favorable to the establishment of an Inter-American Bank or an Inter-American Development Corporation discernible," it said.<sup>18</sup>

And with that, the proposal was dropped--temporarily.

## V

There was one problem, however, which would not go away--even temporarily. This was the competition between IA-ECOSOC and the Economic Commission for Latin America, ECLA.

At Bogotá, the Ninth Conference noted that the functions assigned to ECLA and to IA-ECOSOC were "essentially similar." It directed that representatives of the two meet "to draft an appropriate formula for the functioning of the two organizations . . . so as to avoid . . . duplication in organization, personnel and functions."<sup>19</sup>

IA-ECOSOC, however, felt that its first priority

should go to the tasks assigned it at Bogotá, including making the preparations for the Buenos Aires Economic Conference. So, by an 8-3 vote in May, 1948, it instructed its representatives to the meeting with ECLA to make a one year agreement, under which ECLA would study problems not named by the Ninth Conference.<sup>20</sup> In June, accordingly, it was agreed that ECLA should prepare a survey of the Latin American economy as a whole, as should it work on a sweeping array of other problems, including inflation, technical aid, raw materials and multilateral cooperation.<sup>21</sup>

The effect of this agreement, once the economic conference had been indefinitely postponed, the economic agreement deadlocked, and the inter-American bank rejected, was to leave IA-ECOSOC with peripheral study responsibilities, in fields in which it once had prior claim. In other words, ECLA, which basically was outside the inter-American system, was put into a dominating position to provide advice on the conduct of inter-American economic relations.

This domination was further assured in 1950 when Argentine economist Raúl Prebisch was named ECLA's Executive Secretary. In 1949, under United Nations auspices, he published what has been described as a "veritable ECLA manifesto," The Economic Development of Latin America and Its Principal Problems.<sup>22</sup> In it, Prebisch propounded an economic theory particularly attractive to Latin America-- a theory which has had great impact on the course of hemispheric economic development.

The essence of the Prebisch theory was that in the existing economic order, peripheral areas--such as Latin America--had the task of producing food and raw materials for the great industrial nations. In this "schema," the possibilities for the industrialization of new areas was very limited. Nevertheless, the peripheral nations were being forced toward industrialization by the demands of their populations. But in this process, they were handicapped because the gains from trade were unevenly distributed between the "central" and the "peripheral" nations, and the terms of trade themselves moved constantly against the countries producing raw materials.

In this situation, Prebisch argued, policies of deliberate industrialization were needed. These would involve direct intervention in the trade process, to correct the faults of the international system. Such intervention would include both import controls and protective devices for national industry. It also would require an accelerated process of import substitution, higher levels of exports, and firm internal financial discipline, in consonance with specific plans. And, even with all this, Latin America itself still could not generate sufficient foreign exchange for the full costs of industrialization. So outside assistance for development would be needed.<sup>23</sup>

Such a theory appealed because it put together ideas already present in Latin American economic thinking. It accentuated the adversary roles of the developed and the



developing nations, and, to a degree, placed the responsibility for Latin American development outside Latin America. Although its base has been repeatedly challenged, especially the part pertaining to the terms of trade,<sup>24</sup> it was widely accepted in Latin America. Further, with ECLA as his base, Prebisch applied his theory through analyses of specific countries, as well as Latin America as a whole. Unlike the other regional economic commissions of the United Nations, ECLA "developed its own theory and ideology of development."<sup>25</sup>

The Inter-American Economic and Social Council, in contrast, could not match either the single-mindedness or the enthusiasm of ECLA, nor did it enjoy ECLA's freedom of operation. Its staff was headed by Dr. Amos E. Taylor, a classical economist with considerable knowledge of Latin American trade. But he was given few assistants, on the theory that IA-ECOSOC representatives themselves were economists, and was made responsible for the pre-existing economic and social divisions of the Pan American Union. Further, although the Council itself had responsibilities placed on it by the inter-American conferences, it was politically subordinate to the Council of the Organization of American States. Its lines of responsibility were badly tangled, and its effectiveness suffered.

This situation broke into the open quite early. In the IA-ECOSOC session of October 15, 1948, Alternate U.S. Representative Gerald Smith declared that the Council was not "carrying out in a full and satisfactory manner the

continuous and permanent responsibilities" with which it had been entrusted. IA-ECOSOC members had not given sufficient attention to their powers, sufficient time to their work, and that had never had an adequate technical service, he said.<sup>26</sup>

Despite the bluntness of the criticism, other members of the Council agreed. Dr. Ferrer Vieyra of Argentina said that in the economic and social field, IA-ECOSOC had done "absolutely nothing." Others blamed the lack of a secretariat, and this, in turn, was blamed on the low budget--\$200,000--allocated by the OAS Council. Dr. Taylor said he did not consider his existing staff "adequate in any way." Dr. Octavio Paran  gua of Brazil welcomed the U.S. interest, saying it indicated that resources would be made available.<sup>27</sup>

The debate led, however, to further discussions with the OAS Council and Secretary General Alberto Lleras. Some improvement in staff was made, and Council members, apparently, gave greater attention to their work. A further refinement--under a statute adopted in 1950--was the holding of annual special meetings, with the participation of special delegates, to set future policy, review accomplishments, and plan future work. To a degree, perhaps, these afforded a further opportunity for discussing hemispheric economic problems, and compensated somewhat for the stalled economic conference. But in comparison with ECLA, which also held annual meetings, IA-ECOSOC consistently appeared

a less effective body.<sup>28</sup>

## VI

In the field of technical assistance, however, IA-ECOSOC did find a direct multilateral role. This role resulted in part from a U.S. promise at Bogotá that it would provide \$500,000 in matching funds for technical assistance activities;<sup>29</sup> in part from the assumption of the Inter-American Development Commission;<sup>30</sup> and in part, from a spin-off of the "Point Four" program promised by President Truman in his 1949 Inaugural Address.<sup>31</sup> The latter program, of course, was a world-wide extension of the activities undertaken by the Coordinator of Inter-American Affairs during World War II.<sup>32</sup>

IA-ECOSOC welcomed the "Point Four" proposal, interpreting it as aimed primarily at Latin America.<sup>33</sup> OAS Secretary General Lleras even hailed it as "an almost revolutionary movement in relations between the United States and Latin America."<sup>34</sup> The Council sent Truman a message saying the proposal should be made "an essential part of the program of the Inter-American Economic Conference of Buenos Aires."<sup>35</sup>

On encouragement from Assistant Secretary of State Willard Thorp, the Council prepared a list of projects which could be undertaken with U.S. sponsorship in Latin America.<sup>36</sup> Later, after a coordinating meeting with the United Nations, the proposal for an expanded technical assistance program was placed on the agenda for the first annual special session

of IA-ECOSOC in March, 1950. There, it was approved, and contributions for it were sought from each member state.<sup>37</sup>

In September, 1950, Assistant Secretary of State Edward G. Miller, Jr., told IA-ECOSOC that the United States would contribute \$1 million to the program in its first year, provided that the U.S. contribution did not exceed 70 per cent of the contribution of all other member governments.<sup>38</sup> Other pledges were slow in coming, and the United States in January, 1951, advanced \$250,000, to get the program started,<sup>39</sup> with some ten or 12 projects. The specific projects included help to increase crop yields, train primary school teachers, eradicate disease, develop low-cost house designs, and advise on cooperatives.<sup>40</sup> Additionally, the OAS set up a register of experts, for countries needing highly qualified consultants.<sup>41</sup>

In later years, the projects were revised, with some host governments taking over complete responsibilities. The preparation of the technical assistance program regularly occupied an eminent place in the special annual meetings of IA-ECOSOC, and became a measure of IA-ECOSOC effectiveness. The results were evident, and popular.

A part of the popularity of the OAS technical assistance program, perhaps, was because it was truly multilateral. The projects, from a variety of nations, were received and approved by a multinational body, which itself administered them. But unfortunately, the financial support, other than the limited 70 per cent provided by the United

States, was never sufficient to permit any major expansion of the program on the multilateral level. There was a great willingness by the Latin American nations to participate, but a reluctance to finance.

So the bulk of the "Point Four" work was carried out by the United States on a bilateral basis. The chief instrument was the Institute of Inter-American Affairs (IIAA) which in 1949 had its life extended for three years, with a \$35 million authorization.<sup>42</sup> Under general technical assistance agreements signed with the individual Latin American nations, it set up and financed "servicios" in agriculture, health and education, among others.<sup>43</sup> Two variants, in this process, came in agreements with Uruguay and with Brazil.

With Uruguay, a new type of treaty--of "Friendship, Commerce and Economic Development" was signed. In expressing a mutual desire for cooperation in economic development, it included a provision assuring potential investors that their property would not be expropriated without prompt, adequate and effective compensation. This provision immediately was attacked, in Uruguay and in Latin America. As a consequence, the new form never attained wide use.<sup>44</sup>

With Brazil, an accord additional to the more general technical assistance agreement called for the establishment of a joint commission for economic development, to study Brazil's needs and recommend action.<sup>45</sup> A similar commission had been formed in Mexico during World War II.<sup>46</sup> The advantages, for the United States, were that such

commissions had resulted in plans for high priority projects, which then could be financed. In other words, if the Latin American nations on a selective basis could not or would not prepare plans, the United States would help them to do so.

In a general context, however, the technical assistance programs, of the United States itself, or through the United Nations and the OAS, were limited in scope. While they had certain long range economic effects, their essential aim was political. They were termed "the surest way to combat the efforts of subversive elements to exploit present tensions and economic difficulties."<sup>47</sup> With the help of publicity, the technical assistance programs gave a sense of progress and of some achievement. Unquestionably, they were beneficial in creating groups of skilled technicians, and bodies of pertinent knowledge. But technical assistance, too much, came to be regarded as an alternative to the larger issues of trade and investment, rather than as a component of them.

Although some Latin American murmurings continued, the development situation for Latin America generally remained tolerable. The years 1948-1952 were prosperous ones, continuing the early post-war trend. The terms of trade remained in Latin America's favor, overall trading balances were good, and both public and private investment rose.

For example, the indices of the terms of trade, by an ECLA calculation, moved from 100 in 1945 to a high of

166.9 in 1950, although falling to 148.9 in 1942.<sup>48</sup> Over the four years 1948-1951, Latin America's trade with other regions of the world was favorable, by a total of \$4.2 billion.<sup>49</sup> Over the period 1948-1952, the World Bank authorized credits to Latin America totalling \$355 million, and U.S. Export-Import Bank loans, 1946-1952, totalled \$666 million.<sup>50</sup> Private investments from the United States, despite controversy over the total investment climate, rose by \$2.7 billion between 1946 and 1952,<sup>51</sup> with trade and manufacturing the preferred fields.<sup>52</sup>

The essence of this, perhaps, is that Latin America, instead of being prejudiced by the terms of trade, actually benefited from them. The rise in the prices of its exports, generally, exceeded the rise in the prices of goods it wished to import. Further, its trade remained heavily favorable, and it found substantial "new" money for development through both public and private investment. In rough terms, private investment provided three times as much money as official capital, over the period 1946-1952.

Where Latin America experienced a strong outflow, however, was in the "invisibles," of the balance of payments current account--the payments it made on investments, transportation and services. In 1950, for example, the United States benefited by payments of \$682 million on investments in Latin America. In 1951, the figure rose to \$747 million, and \$656 million in 1952. Transport and other services claimed \$116 million in 1950, and \$120

million in 1951.<sup>53</sup>

In large part, such negative figures explain Latin America's desire to control further private investment. The remittances to the United States were seen as largely negating the favorable balances run up in world trade. On the reverse side, those investments themselves, in the "traditional" Latin American fields of minerals and agricultural products, were important in assuring the trade surpluses, and had been highly significant in Latin America's modernization.<sup>54</sup>

## VII

In the United States, some concern as to the ultimate direction and nature of foreign economic policies remained. Were those which had been decided upon, during and at the close of World War II, still valid in view of changed conditions in the post-war world? President Truman, in early 1950, asked Gordon Gray, who then was stepping down as Secretary of the Army, to head a special study committee. The committee was to make recommendations designed to "assure ourselves that our own policies are those which will serve best to reinforce our economic strength and that of the other free nations of the world." When it came out, the "Gray Report" confirmed the appropriateness of existing foreign economic policy, but suggested some modifications or improvements.

It agreed that private investment was the "most



desirable" means of providing capital. So it recommended tax incentives for foreign investment, the negotiation of investment treaties, government guaranties of investments and measures to improve the U.S. market for "sound" foreign dollar securities. But, it also said, "under present conditions, a heavy reliance on public lending should be recognized as essential." To this end, it suggested a \$1.5 billion increase in the lending authority of the Export Import Bank, and a \$350 million expansion of the technical assistance program. This last had been running about \$150 million a year.<sup>55</sup>

Two further points were of importance. One recommended that borrowing nations be permitted to buy goods outside the United States. Under Export-Import Bank policies, all credits had to be for the purchases of U.S. goods, although some capital equipment might be purchased more cheaply elsewhere in the world. A second recommendation was that in selected cases, loans be made to finance local costs of a project. The general practice was to make loans which met only the cost of goods which had to be imported. Yet the inability of some countries to raise the local funds, without resorting to inflationary steps, was said to have held up otherwise significant and worthwhile projects.<sup>56</sup>

In announcing the recommendations, President Truman recalled that he earlier had appointed Nelson A. Rockefeller as chairman of an advisory board on international development. He asked Rockefeller, the President said, to consider

the Gray proposals, and give his views on the type and size of programs which it would be desirable for the United States to undertake.<sup>57</sup>

The Rockefeller group, when it reported early in 1951, proposed: (1) The creation of a single, separate U.S. agency to administer all foreign economic activities; (2) An increased flow of capital abroad, through both loans and investments; and (3) Encouragement for private trade.<sup>58</sup>

Both the Gray and Rockefeller reports, therefore, contained some "liberalizing" recommendations for foreign economic policy along the lines that the Latin American nations had sought. But both failed in implementation. A new set of conditions arose, caused by the worsening of the war in Korea, and a fear that a prolonged period of conflict with the Soviet Bloc was in prospect. This, in turn, led to decisions to safeguard the United States through a strengthening of the military, rather than the economic, capabilities of associated nations.

## VIII

One immediate objective was to assure continued access to the raw materials which would be needed by the United States during a protracted period of containment and confrontation. A second was to establish, or reestablish, a spirit of hemispheric solidarity.

On the first, the United States moved in the latter days of 1950 and the first part of 1951 to assure an orderly

supply of strategic materials. But a return to the system employed in World War II was not possible. For one thing, there again was flexibility in shipping. The raw material producing nations could dispose of their commodities without waiting for U.S. or British naval protection. Second, demand for raw materials even aside from defense needs was strong. And third, the Latin American nations were wary of entering into fixed price agreements which they felt had prejudiced them in World War II.

Together, this meant that raw material procurement had to be on a mutually agreeable basis. Major producers and consumers both were involved. What ultimately emerged was a relatively new type of multilateral organization--the International Materials Conference. It worked through a Central Group and seven commodity committees. The seven committees, dealing with one or more materials each, were: copper, lead and zinc; sulphur; cotton and cotton linters; tungsten and molybdenum; manganese, nickel and cobalt; wool; and paper and pulp.<sup>59</sup> Tin and rubber, also strategic materials, were not included because "procedures for consultation" on them already were in use.<sup>60</sup>

Latin American members of the Conference, some in the Central Group, and others of the committees alone, were: Bolivia (tungsten and molybdenum); Brazil (Central Group, sulphur, cotton and cotton linters, tungsten and molybdenum, manganese and nickel-cobalt, pulp and paper); Chile (copper, lead and zinc, and tungsten-molybdenum); Cuba (manganese

and nickel-cobalt); Mexico (Central Group, sulphur); and Peru (copper, lead and zinc and cotton-cotton linters). The OAS also was represented in the Central Group.<sup>61</sup>

In practice, the committees put together data on production, and on requirements. They then proposed solutions which the governments could accept and implement. There was, of course, some trading of advantages in one specific commodity or resource against another. The system worked smoothly without major complaints or dislocations, although it had been bitterly debated.<sup>62</sup>

On the second objective, establishing hemispheric unity, the United States asked the OAS to call a meeting of consultation to "consider mutual problems confronting the nations of the Western Hemisphere in the emergency resulting from international communist aggression, particularly communist aggression in Korea."<sup>63</sup> Its aims were to achieve Latin American participation or compliance with the materials procurement plans, to enlist Latin American military support for the United Nations effort in Korea, and to strengthen the defenses of the southern Americas.<sup>64</sup>

Some fence-mending obviously was in order. Even before the call for the conference went out, Assistant Secretary of State Edward G. Miller, Jr., discussed the "critical period" ahead at a December 6, 1950, meeting of the U.S. National Coffee Association--always a useful platform for discussing Latin American policy. He promised careful consideration of Latin American needs in any U.S.

allocations of scarce materials and manufactured goods, and said the United States hoped to provide both technical and financial assistance for development programs. The "fullest cooperation" of Latin America again was sought, he said.<sup>65</sup>

But the Latin American mood, as the meeting of consultation was to show, was to prefer action to promises.

## IX

As usual, the agenda for the meeting provided the first test for the conflicting interests. The United States on December 29 proposed that the ministers discuss three points: (1) Political and military cooperation; (2) Cooperation to strengthen internal security; and (3) Emergency economic cooperation, including production and distribution for defense purposes, and requirements for civilian economies.<sup>66</sup>

The Latin American delegations, however, wanted economic development included. The tentative draft agenda, which did not include this point, was sent to the governments on January 17. But in their replies, the governments were insistent on a discussion of developmental problems. The movement gained such force that U.S. Ambassador John C. Dreier wrote a letter to the Council on the point. It was "manifestly impossible and inappropriate," he said, for the foreign ministers to consider all aspects of the economic future of the Americas. But he proposed alternative

language, permitting the discussion of an expansion of basic productive facilities "within limits imposed by the emergency."<sup>67</sup>

In a final version, however, the Latin Americans went even beyond this. The final agenda also called for the ministers to consider "measures to facilitate in so far as possible the carrying out of programs of economic development."<sup>68</sup>

The weeks immediately preceding the opening of the conference saw repeated suggestions from Latin America on the "price" which it would demand for cooperation. Mexico, for example, indicated that it would seek the establishment of a hemispheric price control board, which would try to maintain an equitable balance between the prices of raw materials and manufactured goods.<sup>69</sup> Chilean President Gabriel González Videla said he hoped Latin American economies could be strengthened, and that action on prices and markets could be made permanent.<sup>70</sup> Argentina indicated concurrence.<sup>71</sup>

On the other hand, the International Relations Committee of the U.S. National Association of Manufacturers saw the conference as an opportunity to achieve some of its own goals. In a March 24 statement, it urged procurement contracts at equitable prices, the granting of long-term loans for expansion of strategic materials production, and priorities for the export of essential equipment for such projects. It also asked that the Latin American

nations establish their needs for import, that they assure equitable treatment for foreign investments, and grant tax concessions to encourage private and foreign investors.<sup>72</sup>

Almost as a side issue, Assistant Secretary Miller sounded out the intentions of the Latin American nations on the continuance of ECLA, which then was nearing the end of what had been contemplated as a three-year term of life. The United States, it was indicated, preferred that ECLA withdraw from the field, leaving only IA-ECOSOC. But the Latin American reaction was so heavily in favor of ECLA, that the matter was not even brought up at the Washington conference. At a subsequent meeting of ECLA, in fact, the U.S. delegation made a statement endorsing its continuation.<sup>73</sup>

By the time the Washington conference opened on March 26, 1951, it was obvious that once more the "economic issue" would overshadow the purposes for which the United States had asked the meeting.

# X

President Harry S. Truman, in the opening session, emphasized the need for hemispheric unity in the challenge posed by international communism. "Powerful and productive as the Western Hemisphere is," he said, "we cannot make it safe by building a wall around it. . . . We must concert our defenses and combine our strength." Defense production, he continued, "must have prior claim upon our economic resources," with limitations on "certain kinds of capital

expansion." Almost as an aside, perhaps from his own reading, he mentioned the possibility of developing the eastern slopes of the Andes mountains, and diverting water from Lake Titicaca to the sea, giving Bolivia a Pacific port in return.<sup>74</sup>

Brazilian Foreign Minister João Neves da Fontoura responded. He said the Latin American nations were willing to bear their share of necessary sacrifices in "mobilization for peace." But, he said, they required a better and more lasting plan for material economic cooperation than that which had existed with the United States during World War II. Latin America could not "repeat past practices without ruining ourselves and with no benefit accruing to the world," he declared.<sup>75</sup>

In the wake of the formal round of speeches, draft resolutions were submitted--46 in the economic field alone. Argentina, for example, proposed that IA-ECOSOC study the means by which Latin America's foreign exchange balances could be guaranteed against depreciation. Chile, similarly, asked that balances be insured by the United States. Brazil wanted to link any emergency measures with a long term program of economic help. Ecuador wanted loan priorities for highway, airport, and harbor projects. Peru said any measure involving the fixing of prices should have a time limit.<sup>76</sup>

On the defense issue, trouble also developed. The United States, in keeping with Secretary of State Acheson's desire to get troop commitments for Korea, proposed a



resolution asking that the Latin American governments prepare their armed forces for "services in support of action" taken by the United Nations. This was endorsed by Cuba, Colombia and Uruguay. But others, notably Mexico, objected. Mexican Foreign Secretary Manuel Tello successfully argued that this would violate Article 52 of the U.N. charter, which encouraged regional settlement of regional disputes.<sup>77</sup>

The economic issues, however, remained the most troublesome. The Latin American attitude was that the United States, and not the other nations of the hemisphere, was threatened with economic and political aggression. But ultimately, in night-long sessions, the Latin Americans were talked out of any flat guarantees for the protection of their dollar balances.<sup>78</sup> As a compromise, the United States agreed that IA-ECOSOC convene a meeting of central bank experts to study the problem and work out specific recommendations.<sup>79</sup>

The final act of the conference included 31 resolutions. The "showpiece" was a "Declaration of Washington," reaffirming the unity of the Americas, faith in the OAS, and expressing the conviction that strengthening of the United Nations was "the most effective way to maintain peace." On defense, a separate resolution called on each nation to "examine its resources and determine what steps" it could take for its own defense, the defense of the continent, and for service with the United Nations--but avoided any definite pledge. The Inter-American Defense Board was

charged with helping plan a common defense.<sup>80</sup>

The most specific of the 16 resolutions in the economic field dealt with "economic development," with basic and strategic materials, allocations and priorities, and prices. Again, definitive commitments were avoided. But the sense of them, together, was that economic development should be considered an essential factor in hemisphere defense; that the American nations would cooperate in the production of basic and strategic materials "at reasonable prices"; that they would consult on allocations, priorities and prices; and that IA-ECOSOC would establish study groups on raw materials of particular importance to the American republics, coordinating its study with the International Materials Conference.<sup>81</sup>

Secretary Acheson closed the meeting on April 7. He remarked that the judgments on it were that "it has been outstanding." The deliberations, he said, produced no issues where there were "victors and vanquished," and altogether, the reunion had demonstrated that "our fundamental interests are common interests."<sup>82</sup>

In his memoirs, Acheson summarized the meeting more frankly:

Experts in these matters judged it a success, although little if anything happened as a result of it. However, pent up resentments were released, thus reducing emotional pressures; innumerable resolutions were passed after hot debate and saving compromise through the adroit rearrangement of a few words; and a great many intimate interviews were arranged for private talks.<sup>83</sup>

Bilateral discussions, in short, were more significant than the talk which went on within the conference itself.

## XI

The Fourth Meeting of Consultation, then, marked a retreat from the emphasis which previous inter-American meetings had given to the desirability of multilateral economic arrangements. Significantly, the final act did not mention the oft-proposed and oft-postponed Inter-American Economic Conference, nor a hemisphere-wide economic agreement. Nor were any measures deferred for a later conference.

This all pointed to tacit understandings to avoid stirring up old controversies. But, more realistically, it indicated a Latin American belief that the region was in a position to apply pressure to the United States to fulfill its demands for greater future assistance in economic development. Such a strategy was successful.

In comparison with the resolutions approved at Rio de Janeiro in 1942, the Washington resolutions were much more explicit. They spelled out, in greater detail, what the Latin American nations agreed to do, and what the United States would do. They also were much more precise in detailing the mechanisms for the common study of problems. So the Latin Americans left Washington with some feelings of achievement--of having agreed to emergency economic cooperation, under conditions which would be beneficial to them, and with some commitments for future

economic benefits.

Unfortunately for them, 1951-1952 was not a repetition of 1941-1942. The same conditions of supply and demand, or of transportation, did not again prevail. Although the rearming of the United States and Europe continued, the Korean emergency flickered rapidly. By the end of 1951, prices of raw materials had weakened, and the flow of manufactured and capital goods continued with only momentary pauses.<sup>84</sup> The work of the International Materials Conference, together with the use of U.S. stockpiles, helped avoid "panic" buying which would have maintained prices artificially. In other words, Latin America had made a bargain on which it could not fully collect, since it was not called upon to deliver fully.

Although the issues surrounding inter-American economic relations had been buried, temporarily, due to the emergency situation, they had not been resolved. They would return in due course, to be faced by a new administration in the United States. In the months remaining to it after the Washington conference, the Truman administration adopted no new initiatives. It maintained the well-established lines of policy calling for reliance on private investment, technical assistance, and non-discriminatory trade. After Bogotá, there was no shift.

## FOOTNOTES

### CHAPTER 6

<sup>1</sup>"Truman Proposes Aid of Half Billion for Latin America," New York Times, April 9, 1948, p. 1.

<sup>2</sup>Acta Final, Actas y Documentos, Novena Conferencia, VI, p. 274.

<sup>3</sup>Actas, CIES, IX, pp. 1708-1709. As in the United States, there was expectation that Dewey would defeat Truman in the 1948 U.S. presidential election.

<sup>4</sup>Actas, CIES, XI, p. 2147.

<sup>5</sup>Ibid., pp. 2152-2167.

<sup>6</sup>Ibid., pp. 2158-2159.

<sup>7</sup>Actas, CIES, XII, p. 2244.

<sup>8</sup>Actas, CIES, VIII, pp. 1630-1648.

<sup>9</sup>Actas, CIES, IX, pp. 1671-1676.

<sup>10</sup>Ibid., p. 1684.

<sup>11</sup>Actas, CIES, X, p. 1973.

<sup>12</sup>Actas, CIES, XII, pp. 2317-2378; the draft protocol itself appears on pp. 2369-2378.

<sup>13</sup>Annals of the OAS (Vol. II, No. 3) 1950, pp. 258-259.

<sup>14</sup>Actas y Documentos, Novena Conferencia, VI, p. 229.

<sup>15</sup>Actas, CIES, XI, p. 2131.

<sup>16</sup>Inter-American Economic and Social Council, "Creation of an Inter-American Bank or Development Corporation, or Both, A Survey of the Possibility and Advisability of the Establishment of an Inter-American Bank or Development Corporation or Both, as Directed by Resolution XV of the Final Act of the 9th International Conference of American States," (Washington: Pan American Union, 1949).

<sup>17</sup>Ibid., p. 8.

<sup>18</sup>Annals of the OAS (Vol. II, No. 3) 1950, p. 255.

<sup>19</sup>Actas y Documentos, Novena Conferencia, VI, p. 276.

<sup>20</sup>Actas, CIES, VIII, p. 1602.

<sup>21</sup>Ibid., pp. 1715-1718; Amos E. Taylor, "The ECLA Conference," Bulletin of the Pan American Union (LXXXII, No. 9), September, 1948, pp. 494-497.

<sup>22</sup>United Nations, Department of Economic Affairs, The Economic Development of Latin America and Its Principal Problems (Lake Success, 1950), E/CN 12/89 Rev. 1.

<sup>23</sup>See Albert O. Hirschman (ed.), Latin American Issues: Essays and Comments (New York: 20th Century Fund, 1962), pp. 13-14; William Withers, The Economic Crisis in Latin America (London: Free Press of Glencoe, 1964), pp. 74-77; John A. Houston, Latin America in the United Nations (New York: Carnegie Endowment for International Peace, 1956), pp. 231-253.

<sup>24</sup>See Withers, Economic Crisis, p. 76; Hirschman, Latin American Issues, pp. 23-38.

<sup>25</sup>Pierre-Michel Fontaine, "Regionalism and Functionalism in Inter-National Organization: The United Nations' Economic Commission for Latin America" (Unpublished Ph.D. dissertation, University of Denver, 1968).

<sup>26</sup>Actas, CIES, X, pp. 1944-1967.

<sup>27</sup>Ibid.

<sup>28</sup>See M. Margaret Ball, The OAS in Transition (Durham: Duke University Press, 1969), p. 217; Simon G. Hanson, "The Economic Work of the Inter-American Agencies," Inter-American Economic Affairs (Vol. II, No. 4), Spring, 1949, pp. 74-83; Simon G. Hanson, "Case Study in Futility: U.N. Economic Commission for Latin America," Inter-American Economic Affairs (Vol. I, No. 2), Autumn, 1948, pp. 81-99.

<sup>29</sup>Actas, CIES, VIII, p. 1649.

<sup>30</sup>Juan Rafael Oreamuno, during 1945 and 1946, had sought to have the IADC continue as a separate entity, but financial support from the PAU was not forthcoming. With the staff finally down to three, it was taken over by the PAU in 1949. (Actas, CIES, X, pp. 2004-2046.)

<sup>31</sup>"Inaugural Address by the President," Department of State Bulletin (XX, No. 500), January 30, 1949, pp. 123-

126; "President's Recommendations for Technical Assistance Program for Underdeveloped Areas Sent to Congress," Department of State Bulletin (XXI, No. 522), July 4, 1949, pp. 862-865.

<sup>32</sup>"Recommendations for Continuing the IIAA, Message of the President to the Congress," Department of State Bulletin (XX, No. 506), March 13, 1949, pp. 329-330; Dean Acheson, "Pan American Day: A Symbol of Mutual Trust and Cooperation Among the Americas," Department of State Bulletin (XX, No. 513), May 1, 1949, pp. 564-566.

<sup>33</sup>Actas, CIES, XI, p. 2194. The Council apparently had not been consulted on the plan, nor given advance notice of it.

<sup>34</sup>Ibid., pp. 2221-2223.

<sup>35</sup>Ibid., pp. 2234-2235; "Declaration to the President of the United States," Annals of the OAS (Vol. 1, No. 3), 1949, p. 243.

<sup>36</sup>"Technical Assistance," Annals of the OAS (Vol. II, No. 1), 1950, pp. 54-55; IA-ECOSIC, "Documentary Material on an Expanded Program of Technical Assistance," (Mimeo), Feb. 16, 1950.

<sup>37</sup>Annals of the OAS (Vol. II, No. 3), 1950, pp. 259-267.

<sup>38</sup>Edward G. Miller, Jr., "Inter-American Program of Technical Assistance," Department of State Bulletin (XXIII, No. 588), Oct. 9, 1950, p. 589.

<sup>39</sup>"Contribution Made to Technical Cooperation Program," Department of State Bulletin (XXIV, No. 604), Jan. 29, 1951, pp. 185-186.

<sup>40</sup>Annals of the OAS (Vol. II, No. 4), 1950, pp. 324-341.

<sup>41</sup>Annals of the OAS (Vol. II, No. 1), 1950, p. 55.

<sup>42</sup>"Accomplishments of the IIAA, A Major Expression of the Good Neighbor Policy in Action," Department of State Bulletin (XXI, No. 533), Sept. 19, 1949, p. 438.

<sup>43</sup>Ibid.; "Point Four Agreements with Chile and Peru," Department of State Bulletin (XXIV, No. 605), Feb. 5, 1951, p. 219; other agreements signed by June 1, 1951, were with Colombia, Cuba, Ecuador, Haiti, Mexico and Uruguay.

<sup>44</sup>See "Treaty of Friendship, Commerce and Economic Development," Department of State Bulletin (XXIII, No. 586), Aug. 9, 1950, pp. 502-509.

<sup>45</sup>"U.S. and Brazil Establish Joint Commission for Economic Development," Department of State Bulletin (XXIV, No. 600), Jan. 1, 1951, pp. 25-26.

<sup>46</sup>See Merwin L. Bohan, "Reflections on United States Economic Cooperation with Latin America" (unpublished mimeo), Puebla, Mexico, 1968, p. 7. Ambassador Bohan also notes that a small mission was sent to Haiti in 1938, and another to Ecuador "a year or two later."

<sup>47</sup>Dean Acheson, "Defenses Against Menaces of External and Internal Attack," Department of State Bulletin (XXV, No. 628), July 9, 1951, pp. 46-52.

<sup>48</sup>United Nations, Economic Commission for Latin America, Economic Survey of Latin America 1951-1952 (Santiago, 1953) (E/CN 12/291), Table 11, pp. 26-27.

<sup>49</sup>Ibid., Table 7, p. 139; United Nations, Economic Commission for Latin America, A Study of Trade Between Latin America and Europe (Geneva, 1953) (E/CN 12), Table 7, p. 9.

<sup>50</sup>United States, Agency for International Development, U.S. Overseas Loans and Grants, Obligations and Loan Authorizations, July 1, 1945 to June 30, 1965 (Washington: AID, 1966), p. 26, et. seq.; U.N., ECLA, Economic Survey 1951-1952, Table 16, p. 162.

<sup>51</sup>United States, Department of Commerce, U.S. Investments in the Latin American Economy (Washington: Government Printing Office, 1957), p. 111. The totals apparently include reinvestment of earnings, as well as entirely new investments.

<sup>52</sup>Ibid.

<sup>53</sup>United Nations, ECLA, Economic Survey, 1951-1952, Table 8, p. 141.

<sup>54</sup>See U.S., Department of Commerce, U.S. Investments in the Latin American Economy, which gives figures on taxes, employment and exports.

<sup>55</sup>"Report to the President on Foreign Economic Policies," Department of State Bulletin (XXIII, No. 595), Nov. 27, 1950, pp. 842-852.

<sup>56</sup>Ibid.



<sup>57</sup>Ibid.

<sup>58</sup>"Expanded World Economy Urged in Report of International Development Advisory Board," Department of State Bulletin (XXIV, No. 613), April 2, 1951, pp. 558-559.

<sup>59</sup>"International Materials Conference Progress Report," Department of State Bulletin (XXIV, No. 617), April 30, 1951, pp. 704-706.

<sup>60</sup>Willis C. Armstrong, "The International Materials Conference," Department of State Bulletin (XXV, No. 627), July 2, 1951, pp. 23-29.

<sup>61</sup>Ibid.

<sup>62</sup>"Report on IMC First Year of Operation," Department of State Bulletin (XXVI, No. 673), May 19, 1952, pp. 793-795.

<sup>63</sup>"Communism Threatens Inter-American Community," Department of State Bulletin (XXIV, No. 600), Jan. 1, 1951, pp. 8-10.

<sup>64</sup>Dean Acheson, Present at the Creation (New York: W.W. Norton Co., 1969), pp. 497-498.

<sup>65</sup>"Economic Aspects of Inter-American Relations," Department of State Bulletin (XXIII, No. 599), Dec. 25, 1951, pp.

<sup>66</sup>"Proposed Agenda for Meeting of American Foreign Ministers," Department of State Bulletin (XXIV, No. 601), Jan. 8, 1951, p. 66.

<sup>67</sup>"Comment on Agenda for Fourth Consultative Meeting of Foreign Ministers of American States," Department of State Bulletin (XXIV, No. 606), Feb. 12, 1951, p. 266; also "Fourth Meeting of Consultation of Ministers of Foreign Affairs," Annals of the OAS (III, No. 2), 1951, pp. 126-157.

<sup>68</sup>"Fourth Meeting," Annals of the OAS, op. cit.

<sup>69</sup>"Seeks Hemisphere OPS," New York Times, March 24, 1951, p. 20.

<sup>70</sup>"Chile's Head Urges Firmness," New York Times, March 24, 1951, p. 4.

<sup>71</sup>"President Truman to Open Parley," New York Times, March 26, 1951, p. 11.

<sup>72</sup>"N.A.M. for Sharing America's Output," New York Times, March 25, 1951, p. 40.

<sup>73</sup>Letter from Merwin L. Bohan to author, Dec. 17, 1971.

<sup>74</sup>"Truman Sees Unity as America's Hope in Freedom's Battle," New York Times, March 28, 1951, pp. 1-15; "Cooperation in the World Struggle for Freedom," Department of State Bulletin (XXIV, No. 614), April 9, 1951, p. 568.

<sup>75</sup>"Truman Sees Unity," New York Times, March 28, 1951, pp. 1-15.

<sup>76</sup>"Acheson Exhorts Americas to Meet Soviet Peril Now," New York Times, March 28, 1951, pp. 1-15; "Americas Debate U.N. Involvement," New York Times, March 30, 1951, p. 9.

<sup>77</sup>"Americas Debate U.N. Involvement," New York Times, March 30, 1951, p. 9.

<sup>78</sup>"Americas Parley Adopts First Acts," New York Times, April 3, 1951, p. 14; "U.S., Latins Differ Sharply on Priorities," Washington Post, April 3, 1951, p. 1. A story at the conference was that Peruvian Foreign Minister Manuel Gallagher called on Secretary Acheson and told newsmen afterwards that the 30 minute visit was a personal call. They indicated some doubts, and the Minister explained: "If it had been politics, I'd be in there yet, and if it had been economics, I'd be in there tomorrow morning."

<sup>79</sup>"Fourth Meeting," Annals of the OAS (III, No. 2), 1951, Resolution XVII, p. 152.

<sup>80</sup>Ibid., Resolutions I, II, III, pp. 143-145.

<sup>81</sup>Ibid., Resolutions XII, XIII, XV, XVI, XVII, pp. 149-152.

<sup>82</sup>"Acheson Applauds Hemisphere Decision," New York Times, April 7, 1951, p. 4; "Outstanding Achievements," Department of State Bulletin (XXIV, No. 615), April 16, 1951, pp. 616-617.

<sup>83</sup>Acheson, Present at the Creation, p. 497.

<sup>84</sup>Rep. Mike Mansfield (D-Montana) told the United Nations Economic and Social Council in December, 1951, that U.S. exports of manufactured goods in the 2nd quarter of 1951 were 25 per cent above 1950, and that the United States was shipping more manufactured goods to the underdeveloped areas than in 1950 ("Advances in Assisting Underdeveloped Areas," Department of State Bulletin (XXV, No. 651), Dec. 17, 1951, pp. 989-998).

## CHAPTER SEVEN

### "A LOW POINT IN ESTEEM"

#### I

The swelling chorus of dissent from Latin America about U.S. economic policies found echo in the 1952 U.S. presidential campaign. The Republican party, in its platform, noted resentment "of our neglect . . . of legitimate aspirations and cooperative friendship." It promised that "our ties with the sister republics of the Americas will be strengthened." The Democratic party, in turn, adopted language saying:

In the Western Hemisphere, we pledge ourselves to continue the policy of the Good Neighbor. We will strive constantly to strengthen the bonds of friendship and cooperation with our Latin American allies who are joined with us in the defense of the Americas.<sup>1</sup>

Yet relations with Latin America figured very little in the campaign itself.

In his inaugural address, President Dwight D. Eisenhower made a brief reference to the region, saying that the United States would join "with all our neighbors in the work of perfecting a community of fraternal trust and common purpose." More generally, he said the United States would never use its strength "to try to impress upon another people our own cherished political and economic institutions." He also promised "policies that

encourage productivity and profitable trade."<sup>2</sup>

Secretary of State John Foster Dulles, in a radio address on January 27, a week after the inauguration, gave a little more flesh to the President's fair words. "The past administration," he said, "has been so preoccupied with problems of Europe, Asia and Africa, that I fear it may have somewhat neglected South America and taken it for granted." He warned that strong communist movements in Latin America were seeking to undermine the traditional friendship between the peoples of the Americas.<sup>3</sup>

By March, the rough outlines of the Administration's approach to Latin America had been fixed. It involved psychological, economic and social approaches.

First, the Eisenhower officials decided that the Latin American nations "enjoy and appreciate attention." So the Administration would try to bring Latin American representatives more into the context of U.S. thinking and actions.

Second, the officials recognized that economic problems underlay most of the difficulties with Latin America. They therefore were prepared to consider assistance through tax incentives for investment, customs and tariff reforms, and technical aid. Direct financial aid was possible "where a real need was demonstrated and where improvement could be expected." Third, in the social area, there was a recognition that feudalistic social structures nourished both fascism and communism.<sup>4</sup>

Subsequently, in a Pan American Day address to the Council of the Organization of American States, President Eisenhower announced that he would ask his brother, Dr. Milton S. Eisenhower, to visit Latin America and report "on ways to be recommended for strengthening the bonds between us and all our neighbors in the Pan American Union."<sup>5</sup> Privately, he instructed his brother to "consider what we can do, what policy changes or programs will be necessary, to unify the Republics of this hemisphere."<sup>6</sup> In a round of conferences prior to undertaking the tour, Dr. Eisenhower found "that the great economic problem which dominated all others was that of the changing relationship between raw commodity prices and the prices of manufactured goods."<sup>7</sup>

## II

During 1952, indeed, the Korean War boom had flagged. Some of the economic indices for Latin America declined, as compared with 1951, but still were on a par with 1949 or 1950. For example, the unit value indices of 17 primary commodities in foreign markets dropped to 113, as compared with 125.7 in 1951, but 114 in 1950.<sup>8</sup> The terms of trade index, on a 1948 base, dropped from a high of 116.7 in 1951 to 114.3 in 1952, but was almost even with the 1950 level of 114.7.<sup>9</sup>

Latin America, apparently, found it hard to adjust to the changed conditions. With exports down \$800 million from 1951 levels, imports nevertheless remained high--\$6.9

billion, or only \$500 million under 1951, and \$900 million above 1950.<sup>10</sup> On current account, Latin America's 1952 balance of payments deficit was \$415 million, as compared with \$178 million in 1951.<sup>11</sup> This last was despite an inflow of \$726 million in U.S. capital.<sup>12</sup> The post-war World War II boom, at last, was ending. Some Latin American nations, of course, were less affected than others.

The changed conditions, naturally, were a topic of discussion at the Third Special Session of the Inter-American Economic and Social Council, held in Caracas from February 9 through 21, 1953. The Council found that surpluses were beginning to develop for some products,<sup>13</sup> and recommended the termination of the International Materials Conference.<sup>14</sup> But IA-ECOSOC's own secretariat was directed to watch the supply and demand situation, and submit its studies to the 10th Inter-American Conference, scheduled for Caracas in 1954.<sup>15</sup>

Besides this, the meeting also noted that the United Nations General Assembly had recommended that steps be taken to ensure an equitable relationship between the prices of primary commodities and capital goods. IA-ECOSOC itself was ordered to review practical possibilities for solving the problem of prices. Such studies and ideas, in turn, were to be presented to the Fourth Special Meeting.<sup>16</sup>

On the related issue of the financing of economic development, an issue moving increasingly to the fore, as U.S. assistance to Europe under the Marshall Plan tapered

off, the Council ordered the preparation of a further report. That report was to discuss the possibility of the creation of a special fund for granting subsidies to developing nations; the further possibility of low interest, long-term loans; and the advantages of a proposal for the establishment of an International Finance Corporation (IFC), then being considered by the United Nations.<sup>17</sup>

Other major resolutions called for efforts to raise inter-American levels of trade, for internal administrative measures to improve coordination between IA-ECOSOC and ECLA, and for recommendations on suitable measures to "correct any imperfections" in IA-ECOSOC itself.<sup>18</sup> The latter recommendations were to be sent to the 10th Conference.

Career diplomat John Moors Cabot, who later was nominated as Assistant Secretary of State for Inter-American Affairs, was the U.S. delegate to the meeting. He could not fully disclose the Administration's plans, since they still were under study. But he warned the Latin American delegates against expecting too much. "There are inescapable limitations on the economic cooperation which the United States can extend," he said. Nevertheless, he added, U.S. citizens "will gladly support projects to extend economic cooperation to our friends if they are convinced that these projects are well-conceived and will be soundly executed."<sup>19</sup>

After his return from Caracas, Cabot spoke to the Export Managers Club in New York, and listed Latin American

complaints against the United States. These included unfair treatment on terms of trade; the development of synthetics which were replacing raw materials; the post-war fall in the purchasing power of dollar reserves; customs barriers "which keep out their products and force them to send us raw materials rather than semi-manufactured items"; and the lack of grant aid. One delegate, Cabot said, put the matter bluntly: "Divisas, no sonrisas" (foreign exchange, not smiles). Cabot nevertheless urged "a flow of capital into our sister republics in an atmosphere of mutual confidence."<sup>20</sup>

In the two speeches, then, Cabot explicitly indicated that the Eisenhower Administration would continue to stress the value of private investment. A second aspect of its thinking, also in the continuing tradition, was that economic growth abroad could be spurred by trade.

President Eisenhower's own position, apparently, was that government assistance, under the Mutual Security plan, was only a "temporary expedient." He was said to feel that such aid would have to be replaced by "some other economic plan that would give these countries the opportunity to build up their own trade and commerce and thus earn their own living."<sup>21</sup> With this, Treasury Secretary George M. Humphrey agreed. He observed: "We've had it good, but now things have got to change. We've been making the automobiles and the farm machinery and everything else and selling them all over the world. Now we have to help other



countries to make them and they will want to sell them here."<sup>22</sup>

Despite this professed recognition of a need to provide an expanding market for foreign exports, the Administration moved in a contrary direction. In May, the Treasury Department applied a "countervailing" duty on wool tops, a form of semi-processed wool, much of which was imported from Uruguay. The Treasury ruled that a favorable exchange treatment to Uruguayan tops producers constituted a subsidy, which should be offset by the U.S. action. In June, President Eisenhower ordered import quotas on butter, milk and cheese. Such quotas affected Uruguay and Argentina, both minor exporters to the United States. In the U.S. Congress, 21 bills to limit oil imports from Venezuela were introduced. This was despite the fact that a trade agreement, recognizing such imports, had been signed in 1952. The United States also renewed its participation in the 1949 International Wheat Agreement, dictating a price range which Britain, a major importer, refused to accept.<sup>23</sup>

Of all such actions, the countervailing duty on tops drew the sharpest Latin American response. Uruguay immediately protested to the United States. It also introduced a resolution in IA-ECOSOC seeking condemnation of the action. After four hours' debate, the Council modified the draft, avoiding direct mention of the United States. The resolution "noted with concern the application of measures of national economic protectionism that injure the economy of one or several members of the Organization of American States."<sup>24</sup>

## V

The divergent tendencies on trade policy, however, were disturbing to the President. By his own inclination, and under the influence of a letter from one-time Budget Director Lewis Douglas,<sup>25</sup> he favored a continuation of the movement for a freer trade policy. But in the Congress, and even among his own officials, protectionist sentiment waxed strong. The issue was discussed during a July cabinet meeting, when Arthur Fleming, Director of the Office of Defense Mobilization, recommended measures for the protection of strategic resources, such as oil. Secretary Dulles immediately objected. A restrictive move, he said, would "cause panic in South America."<sup>26</sup>

The formation of a study committee which could review the whole basis of U.S. foreign economic policy then was proposed. Secretary of Commerce Sinclair Weeks suggested Clarence B. Randall, recently retired Board Chairman of Inland Steel Corp., as head of the committee. Randall, he said, shared Eisenhower's convictions about the need for free trade as a weapon for peace.<sup>27</sup> Ultimately, in August, the President named a 17-member group, headed by Randall, and including six other eminent non-government individuals, five senators and five representatives, to undertake the study. Work began in September, 1953.<sup>28</sup>

While the study was going forward, the Administration avoided any radical new moves on economic policy, standing generally on announced actions. These included continuation

of the Mutual Security Program, support for equitable world trade, customs revision, extension of reciprocal trade, and encouragement of private investment.<sup>29</sup>

The Inter-American Economic and Social Council was invited to give its views to the Randall Commission. Its statement, presented on November 19, had been the subject of intensive debate. It was approved only as a consensus statement "without prejudice to the individual position of any one of the countries."<sup>30</sup> The statement focused on problems of international trade, financing of economic development, and U.S. trade policy.

On trade problems, the statement observed that the greatest contribution the United States could make to Latin America would be the maintenance of "a stable and increasing demand" for Latin American exports. Restrictive measures, it said, threatened well-being and stability. Prices also were important, it said, since the long-range trend was for a deterioration of raw material prices in relation to manufactured goods. Excessive fluctuations should be prevented through coordinated international action.

For financing economic development, IA-ECOSOC suggested that the flow of public funds should be increased, with the Export-Import Bank playing a decisive role. At the same time, the flow of private foreign investment "should be greatly stimulated," particularly toward manufacturing. Dual taxation should be ended, and a "climate of confidence" created through a common orientation of policies.

On American security and U.S. trade policy, IA-ECOSOC said that the United States was dependent on many Latin American products. Yet Latin America's contribution could not be depended upon unless the region, generally, enjoyed a sound economy, and had accepted a common ideal of defense.<sup>31</sup>

Notably, this presentation did not explicitly argue a special relationship between the United States and Latin America, nor ask the direct tying of raw material prices to those of manufactured goods. Neither did it urge the creation of an inter-American bank. It was not formulated in the glare of an international conference, where extreme positions tended to be taken. So it represented a moderate expression of Latin America's expectations.

Nevertheless, the Randall Commission recommendations either rejected the Latin American suggestions, or moved only partially toward them. The Commission stressed that in foreign economic policy "our primary reliance . . . should be upon the incentives of the free enterprise system, the stimulating effects of competition and the stabilizing influence of free markets."

More specifically, the Commission said public lending should not be a substitute for private investment, and urged "full diplomatic support" for the creation of a climate favorable to private foreign investment. But it recommended continuance of technical assistance programs, a reduction in taxes on income from foreign investments, and further trial of a still minor investment guaranty program.

The recommendations also rejected "extensive resort to commodity agreements," and proposals for the creation of buffer stocks of raw materials in the United States. "Constructive" U.S. contributions toward world price stability, the report said, would include removal of impediments to world trade, encouragement of diversification, continued consultations on supply and demand, and policies which would temper fluctuations in the U.S. economy itself.<sup>32</sup>

Once out, the report drew both praise and criticism. A group of Princeton University experts attacked it for a "want of basic philosophy and for its failure to assert American leadership or to enlighten the American people as to their international responsibilities and opportunities."<sup>33</sup> Conservatives on the Commission, however, felt that it went too far.<sup>34</sup> But when President Eisenhower in 1954 sent his own recommendations to the Congress, they "embodied virtually verbatim all of the recommendations of the Randall report."<sup>35</sup>

In other words, an overall review of U.S. economic policy failed to produce recommendations for change in directions desired by Latin America.

## VI

Neither, in essence, did the review of Latin America, undertaken by Dr. Milton Eisenhower, at the request of his brother.

That tour was limited to the ten nations of South

America. It began on June 23, and ended on July 29, and Dr. Eisenhower later indicated that he and his associates had talked to "several thousand" persons, from presidents and cabinet members on down to labor leaders, farmers, industrial workers and school teachers.<sup>36</sup> A turn in U.S.-Argentine relations resulted.<sup>37</sup>

After his return to the United States, Dr. Eisenhower "began the task of synthesizing our data and crystallizing our views." This also involved discussions with other U.S. government and public figures concerned with U.S. policy toward Latin America, and, ultimately, the "clearing" of his recommendations with members of the Eisenhower cabinet.<sup>38</sup>

Dr. Eisenhower later explained that he did this because of "the difficulties I could cause by going directly to the Chief Executive with new-found wisdom." He had in mind, he said, how tempers had flared when Harry Hopkins had advised President Roosevelt "without clearing through appropriate agency heads." So his own report "was not submitted until it had been formally approved by all relevant members of the Cabinet."<sup>39</sup>

On the reverse side, the policy of clearing all recommendations further restricted the possibilities for any major change in U.S. policy, in the direction desired by Latin America. However acute Dr. Eisenhower's observations, or however precise his diagnosis of problems, his decision to seek consensual remedies inevitably resulted in bland prescriptions which could not cure the basic ailment--if

that were possible. In mitigation, however, was Dr. Eisenhower's observation that in 1953 "both U.S. and Latin American leaders were . . . thinking solely in terms of orthodox economic aid as a solution to pressing problems."<sup>40</sup>

One of Dr. Eisenhower's findings was that Latin Americans misunderstood the United States. They forgot, he said, that while the United States was carrying its post-war burdens, Latin America enjoyed "an unprecedented boom." The report reviewed the terms of trade, and said that on a 1936-38 base of 100, the first quarter, 1953 level was 171. "In practically every product of trade importance, the Latin American seller stands today in a better position than before World War II," it said. U.S. imports from Latin America were at six times pre-war levels. On this basis, it argued, there was no need for emergency programs.<sup>41</sup>

It recommended, however, that the United States "adopt a long range basic-material policy which will permit it to purchase for an enlarged national stockpile certain perishable materials when prices for such materials are declining." Such a recommendation, in essence, did not go beyond existing practice. It may, however, have served to stiffen policy against protectionist erosion. Stable trade policies also were urged.<sup>42</sup>

The Eisenhower report noted a "great inconsistency" in Latin American attitudes toward foreign investment. There was both insistence that such capital was needed and opposition to accepting it. So the report made two

recommendations. First, the United States should consider amending its tax laws to encourage private investment abroad. Such a process, of course, already was going on. Second, it suggested that "public loans for the foreign currency costs of sound economic development projects, for which private financing is not available, go forward on a substantial scale." This was a small, if vague, change. The Export-Import Bank already was making loans for foreign currency costs, especially of U.S. goods. So the new emphasis was "substantial." A proposal for a separate inter-American bank was not mentioned.<sup>43</sup>

Other recommendations suggested technical help for development planning; an expansion of technical cooperation programs; continued U.S. support for inter-American technical agencies, especially IA-ECOSOC; and, "in very unusual circumstances," grants of surplus U.S. foods. The report concluded by urging that the United States strengthen its economic relations with Latin America, since such efforts, in the long view, "will redound to their benefit and to ours."<sup>44</sup>

The New York Times, commenting editorially on the report, said that it was "an admirable study, in many ways and full of sound judgments and proposals." The constant stress on economics, the editorial said, "makes much the most valuable feature of the report." But its long range value would depend on whether such economic recommendations were carried out, the Times said.

In Latin America, the report caused little commotion



or enthusiasm. Brazil's most influential newspaper, O Estado de São Paulo, commented only that "study of the report will be of value." O Jornal of Rio de Janeiro lamented, principally, that the tour "had been the pretext for a 180 degree turn in Peron's relations with the United States." The Buenos Aires Herald said the report contained nothing that could not have been obtained from any career diplomat, and "those who expected something sensational will be disappointed."<sup>46</sup>

Perhaps because it contained nothing really objectionable to any U.S. department, the report was approved by the U.S. National Security Council and "became accepted foreign policy."<sup>47</sup> Most of its recommendations, Dr. Eisenhower said, subsequently "were put into effect."<sup>48</sup>

Actually, the Eisenhower report was careful not to undercut the later report of the Commission on Foreign Economic Policy. On the most substantive points, there is little difference between the two.

## VII

With the reports of Dr. Milton S. Eisenhower and the Commission on Foreign Economic Policy, the Eisenhower Administration's search for a Latin American policy ended--with only minor evolutionary change. The failure to make a more significant breakthrough resulted in the resignation of Assistant Secretary John Moors Cabot. In the inter-departmental battling, he had fought for greater use of

the Export-Import Bank for development lending,<sup>49</sup> but lost to the Treasury and to Congress. Henry Holland, a Texas-born attorney, replaced him.

In an apparent effort to give some advance notice of the conclusions of the policy reviews, the Department of State subsequently sent a memorandum to each of the U.S. embassies in Latin America. They were instructed to emphasize to their host countries that direct U.S. aid was "only intended to supplement and complement private investment." Export-Import Bank loans, the memorandum said, were to be limited, concentrating on direct financing of U.S. exports.<sup>50</sup> So, even the indefinite proposal of Dr. Eisenhower for "substantial" lending was muted at the administrative level.

At this time, with the opening of the Tenth Inter-American conference in Caracas only a few weeks away, another problem in inter-American relations arose. In Guatemala, President Jacobo Arbenz had shown himself increasingly sympathetic to and reliant upon a small nucleus of known Communists.<sup>51</sup> The United States determined to seek, at the Tenth Conference, a denunciation of international communism still more explicit than those given at Bogotá in 1948 and at Washington in 1951. This, of course, was in keeping with the position Dulles was seeking to establish, both at home and abroad. But it ran counter to Latin American feeling, where Guatemala's expropriation of United Fruit Company lands had awakened considerable sympathy.

In any event, there was a traditional reluctance to condemn, explicitly, a sister American state.

Accordingly, the political topics for conference discussion gained in significance, as compared with the economic topics. But, at the same time, the polarization of Latin America on the economic issue, and the strength of the U.S. desire for a condemnation of communism, raised the possibility of a compromise on the two.

With the conference only a day away, Sam Pope Brewer of the New York Times wrote that the United States was at "one of its periodical low points in the esteem of its Latin American neighbors--probably the lowest since before Franklin D. Roosevelt." The feeling had grown, he said, that Washington was more interested in Europe than in Latin America.<sup>52</sup>

On the opening day, the Times commented editorially that economics would be the most important feature of the conference. The United States was "ill-prepared" to handle them, it said. "The delegation will not be empowered to make policies that have any acceptance back home on trade, tariffs, import quotas, markets, loans, investment or technical aid,"<sup>53</sup> it declared.

Wisely, the Administration decided to hold off recommendations to the Congress for implementing the Randall commission report. Apparently, it felt that those recommendations would make its position even more difficult. So the President's message went forward only after the conference ended.

## VIII

With all of the American republics except Costa Rica in attendance,<sup>54</sup> the Tenth Inter-American Conference opened in Caracas on March 1, in the newly-built University City in Caracas. President Marcos Pérez Jiménez delivered the opening address, stressing the need to give "full expression" to the concept of reciprocal assistance, by forgetting "selfish considerations of one-sided profit."<sup>55</sup>

This same theme, concentrating on the economic issue, was repeated by Colombian Foreign Minister Evaristo Sourdís and Brazil's Vicente Rão. Sourdís spoke of the "duty" of developed members of the inter-American system to provide assistance "that demands neither recompense nor the mortgaging of their sovereignty." Rão spoke of the "higher criteria of economic policy which demand investments to be supplied with the spirit of cooperation, on a long-term basis and in favorable conditions."<sup>56</sup>

When Dulles spoke, he took a surprisingly conciliatory attitude. He urged, as had been expected, that the American states deny international communism "the right to prey upon our hemisphere." But the bulk of the speech was devoted to the economic issues. Much already had been done to give effect to the Milton Eisenhower report, he said, and more was in prospect. The Randall recommendations also stressed the need to stabilize the rules of international trade, he added, and funds for technical assistance and cultural cooperation were being increased.

But more specifically, he asserted that the Export-Import Bank was not withdrawing from the field of economic development. Instead, he said, it would "consider on their merits applications for the financing of development projects which are not being made by the International Bank, which are in our common interest, are economically sound, are within the capacity of the prospective borrowers to repay and within the prudent loaning capacity of the Bank." Even with all the qualifications, the statement drew the applause of the audience.<sup>57</sup>

In essence, there had been a modification of the lending policy agreed to earlier, which had prompted Cabot's resignation. Dulles indicated that the matter had been referred to President Eisenhower, and "in only the last few days" the President had accepted the position of the Department of State.<sup>58</sup>

Six days later, while awaiting a decision on the anti-communist resolution which the United States had presented, Dulles also appeared before the economic committee. He told that group that the problems faced by the Americas "are as much economic as they are political." But the United States, he said, "will not continue to be satisfied merely with good political relations in this hemisphere. We also want good economic relations."<sup>59</sup>

Assistant Secretary of State for Economic Affairs Samuel C. Waugh followed Dulles before the economic committee. Two days before, he noted, the Treasury had

announced a reduction (from 18 per cent to six per cent) in the countervailing duty on wool tops. President Eisenhower also had proposed changes in U.S. tax laws so as to encourage foreign investment, he said. Further, the United States wanted to negotiate bilateral treaties to alleviate double taxation, but had been unable to conclude one with any Latin American nation. Fifteen such treaties, however, had been signed with nations in other areas. And still further, he said, the United States desired to enter "more general treaties" which would define the terms under which private capital could enter and operate in foreign countries.<sup>60</sup>

Then, responding to a Chilean proposal, Waugh said the United States welcomed and supported the suggestion for a special economic conference later in 1954. The scheduled Fourth Special Annual Meeting of the Inter-American Economic and Social Council, he agreed, might serve that purpose.<sup>61</sup> With this, some of the immediacy vanished from other economic resolutions which had been distributed. The United States was willing to talk about economics later. The Economic Conference had been resurrected from limbo.

Nevertheless, some controversies, significant in view of later developments, did arise.

Guatemala, under fire in the political committee, introduced a number of proposals in the economic field. One of these urged agrarian reform, thus calling attention to its action in expropriating United Fruit Company lands for later division among small farmers. The United States,

unwisely, fought the resolution, only to see it approved in a greatly weakened form. Assistant Secretary Waugh pointed out that efficient land reform involved much more than the simple distribution of land, which was what the Guatemalan resolution had stressed.<sup>62</sup> While few could quarrel with that position, the result was to place the United States in a position of opposing agrarian reform generally.

Uruguay introduced a proposal for a hemispheric customs union. It asked that the OAS nations conclude their own agreements on trade and economic development, without including the most favored nation clause. This, of course, marked a lively resurgence of the idea of a "special relationship" between the United States and Latin America, with hemispheric trading preferences. U.S. Assistant Secretary of Commerce Samuel Anderson, in keeping with Administration policy, promptly opposed the proposal. Regional trading blocs, he said, had a tendency to freeze, rather than open trade. The Uruguayan move then was rejected, with only four favorable votes.<sup>64</sup> The result was to tar the United States with the brush of opposing Latin American economic integration.

Another Latin American proposal, prompted by an announced U.S. plan for disposal of its agricultural surpluses, sought safeguards on sales of such surpluses. In final form, it said the Conference desired effective formulas for international cooperation in surplus sales. IA-ECOSOC was asked to prepare criteria for such cooperation. The





United States abstained on the resolution. The matter was under study in both the U.S. executive and legislative branches of government,<sup>65</sup> it said. Again, the result was to put the United States in the position of being unwilling to consult on commodity problems.

The United States also voted no on a call for the industrialized countries to eliminate trade restrictions of all kinds, and particularly to refrain from imposing barriers to the importation of raw materials and semi-manufactured products from the less developed countries. The resolution, the United States said, was too "one-sided."<sup>66</sup>

Similarly, it opposed a resolution directing IA-ECOSOC to study the terms of trade of the American Republics. The resolution suggested that importing countries facilitate the natural expansion of raw material consumption "at an equitable level of remunerative prices." This implied a commitment the United States could not accept, the U.S. representative indicated.<sup>67</sup>

When the conference adjourned on March 28, the final act of 117 items included 28 "conclusions" in the economic field.<sup>68</sup>

The most important of these 28, perhaps, called for the meeting of Ministers of Finance or Economy, to be held in Rio de Janeiro. This meeting, the resolution said, "would facilitate the Economic Conference of the Organization of American States to be convoked in the city of Buenos Aires in accordance with Resolution VIII of the Ninth

Conference." IA-ECOSOC was to prepare the agenda for the Rio meeting, and member states were to present "concrete proposals and suggestions" for discussion.<sup>69</sup> Additionally, IA-ECOSOC was to prepare a systematic compilation of all economic declarations, resolutions and recommendations, approved at previous conferences, "for study and preparation of a draft text for a general economic agreement."<sup>70</sup> So that idea, too, was revived.

Other resolutions of both immediate and later interest, besides those on which controversy had arisen, called for "close coordination" of the economies of the hemisphere; for the establishment of national planning agencies for economic development; for the creation of a favorable climate for foreign investment; for an increase in lending operations by existing public financing agencies; for the continuation and financing of the OAS technical assistance program; and for a specialized conference to consider problems of the submarine shelf and oceanic waters.<sup>71</sup> Two further resolutions dealt with IA-ECOSOC and ECLA. The first said both were necessary for effective inter-American cooperation, and urged better coordination. A second recommended strengthening IA-ECOSOC so it could function at the "highest possible technical level."<sup>72</sup>

In the political field, the United States obtained 17-1 approval on its proposed anti-communist resolution. In final form, this said that the domination or control of the political institutions of any American state by the

international communist movement would constitute a threat to the sovereignty and political independence of the American states, endangering the peace of America, and requiring a meeting of consultation to consider appropriate action.<sup>73</sup> A favorable vote had been considered inevitable, with one anonymous Latin American delegate remarking: "If the United States wanted to badly enough it could have a resolution passed declaring two and two are five."<sup>74</sup> The resolution, of course, did not mention Guatemala specifically, nor call for any action beyond consultation. These unquestionably helped make it more acceptable to the reluctant Latin American delegations. But the final margin may have been provided by the conciliatory approach of the United States in the economic field.<sup>75</sup>

The victory, however, was marred by lingering resentment of U.S. pressure in support of the anti-communist resolution. Such resentment was aggravated by the fact that Secretary Dulles left Caracas on March 14, within one hour after the resolution had been approved in committee.<sup>76</sup> This showed, the argument went, that the United States had little concern for the economic matters which were of such pressing importance for Latin America. The victory was achieved at a triple price. One was the meeting of Finance Ministers in Rio de Janeiro. A second was the resurrection of the dormant call for a more general and sweeping economic conference in Buenos Aires. And the third was the revival of the proposal for a general economic agreement.

## IX

The conference, a New York Times correspondent wrote its final day, showed clearly

that there is a division of interests on economic questions between the United States, as the hemisphere's great industrial power, and the rest of the republics, as primarily suppliers of raw materials. The situation was appreciated before the conference and does not mean hostility to the United States, but a simple defense<sup>77</sup> by each country of its interests as it seems to them.

The Times itself, discussing the conference in a March 29 editorial, observed that the greatest area of disagreement was in the economic field. The United States, the editorial said, was "let off the hook" by the decision to hold a special economic meeting, in the hopes that by then a definite program could be formulated.<sup>78</sup>

Obviously, that also was the Latin American hope, in view of the last minute concessions which Secretary Acheson had made, for reasons which appeared chiefly political.

## FOOTNOTES

### CHAPTER 7

<sup>1</sup>Associated Press Dispatch (author's duplicate), Washington, D.C., Aug. 16, 1956.

<sup>2</sup>"Text of Eisenhower's Inaugural Address," New York Times, Jan. 21, 1953, p. 19.

<sup>3</sup>"Dulles Sees Peril of Encirclement," New York Times, Jan. 28, 1953, p. 9; "A Survey of Foreign Policy Problems," Address by Secretary Dulles, Department of State Bulletin (XXVIII, No. 711), Feb. 9, 1953, pp. 212-216.

<sup>4</sup>"Dulles to Launch Americas Policy," New York Times, March 23, 1953, p. 14.

<sup>5</sup>"Pan American Union: A True Community of Equal Nations," Address by President Eisenhower, Department of State Bulletin (XXVIII, No. 721), April 20, 1953, pp. 563-564.

<sup>6</sup>Milton S. Eisenhower, The Wine Is Bitter (New York: Doubleday & Co., 1963), p. 187.

<sup>7</sup>Ibid., p. 188.

<sup>8</sup>United Nations, Economic Commission for Latin America, Economic Survey of Latin America, 1953 (New York: Department of Economic Affairs, 1954) (E/CN. 12/358, p. 46, Table 30, "Unit Value Indices of 17 Primary Commodities in Foreign Trade."

<sup>9</sup>Ibid., p. 47, Table 32, "Unit Value Indices and Terms of Trade."

<sup>10</sup>Ibid., p. 45, Table 29, "Latin American Foreign Trade."

<sup>11</sup>Ibid., p. 33, Table 20, "Latin America: Balance of Payments by Regions."

<sup>12</sup>Ibid. This table contains an obvious error in the calculation of net total of capital investment during the year. The U.S. inflow is given as \$726 million, and the outflow as \$121 million, which should leave a net total of \$606 million, instead of \$390 million as given.

<sup>13</sup>Annals of the Organization of American States (Vol. V, No. 2), 1953, pp. 128-129.

<sup>14</sup>Ibid., p. 139. (Resolution 25/53). Copper, lead and zinc allocations were discontinued in February, 1953; sulphur in March; and only nickel and molybdenum remained on distribution lists after April, 1953. The IMC terminated its work on Dec. 15, 1953.

<sup>15</sup>Ibid., p. 138 (Res. 22/53).

<sup>16</sup>Ibid., pp. 141-142 (Res. 32/53).

<sup>17</sup>Ibid., p. 139 (Res. 26/53).

<sup>18</sup>Ibid., pp. 143-144 (Resolutions 35/63 and 36/53).

<sup>19</sup>John Moors Cabot, Toward Our Common American Destiny (Medford, Mass., Fletcher School of Law and Diplomacy, 1954?), pp. 7-11; also, "The Value of Close Hemispheric Cooperation," Department of State Bulletin (XXVIII, No. 714), March 2, 1953, pp. 338-339.

<sup>20</sup>Ibid., pp. 14-22; "U.S. Capital Investment in Latin America," Department of State Bulletin (XXVIII, No. 718), March 30, 1953, pp. 460-462.

<sup>21</sup>Sherman Adams, Firsthand Report (New York: Harper & Bros., 1961), pp. 381-382.

<sup>22</sup>Ibid., p. 382.

<sup>23</sup>Annals of the OAS, Vol. V, No. 3, 1953, p. 248; Department of State Bulletin (XXVIII, No. 731), June 29, 1953, p. 918; Department of State Bulletin (XXVIII, No. 725), May 18, 1953; Cabot, Toward Our Common American Destiny, p. 16. The dairy list was revised on June 30, 1953, after a finding that it was "unduly restrictive."

<sup>24</sup>Annals of the OAS, Vol. V, No. 3, 1953, pp. 248-249 (Res. 45/53); "Americas Group Asks End of Trade Blocs," New York Times, June 5, 1953, p. 12.

<sup>25</sup>Adams, Firsthand Report, p. 382.

<sup>26</sup>Ibid., p. 387.

<sup>27</sup>Ibid., p. 382.

<sup>28</sup>"Establishment of Commission on Foreign Economic Policy," Department of State Bulletin (XXIX, No. 740), August 31, 1953, pp. 279-280.

<sup>29</sup>Brookings Institution, Major Problems of U.S. Foreign Policy 1954 (Washington: Brookings Institution, 1954), pp. 138-143.

<sup>30</sup>Annals of the OAS, Vol. V, No. 4, 1953, pp. 326-328.

<sup>31</sup>Ibid., pp. 328-331.

<sup>32</sup>United States, Report of the Commission on Foreign Economic Policy to the President. H. Doc. 290, 83rd Cong., 2nd Sess. Excerpts also are given in Department of State Bulletin (XXIX, No. 763), Feb. 8, 1954, pp. 187-194.

<sup>33</sup>"Experts Say Randall Report Fails as Trade Policy," New York Times, March 23, 1954; Thomas V. di Bacco, "American Business and Foreign Aid," Business History Review (XLI, No. 2), April, 1967, pp. 21-35.

<sup>34</sup>Adams, Firsthand Report, p. 384. A minority report was submitted.

<sup>35</sup>Ibid.; "Recommendations Concerning U.S. Foreign Economic Policy, Message of the President," Department of State Bulletin (XXIX, No. 773), April 19, 1954, pp. 602-607.

<sup>36</sup>Milton S. Eisenhower, Report to the President, U.S.-Latin American Relations (Washington: Department of State, 1954) (Mimeo); also, Department of State Bulletin (XXIX, No. 752), Nov. 23, 1953, pp. 695-717.

<sup>37</sup>Eisenhower, Wine Is Bitter, pp. 64-66.

<sup>38</sup>Eisenhower, Report, p. 2.

<sup>39</sup>Eisenhower, Wine Is Bitter, pp. 9-10.

<sup>40</sup>Ibid., p. 199.

<sup>41</sup>Eisenhower, Report, pp. 9-27.

<sup>42</sup>Ibid.

<sup>43</sup>Ibid., pp. 31-32.

<sup>44</sup>Ibid., pp. 34-35.

<sup>45</sup>"Report on South America," New York Times, Nov. 23, p. 26.

<sup>46</sup>"Dr. Eisenhower Scored on Peron," New York Times, 3, 1953, p. 10.

<sup>47</sup>Eisenhower, Wine Is Bitter, p. 200.

<sup>48</sup>Ibid., p. 201; in an airport interview with the author, in July, 1958, before making a similar tour of Central America and the Caribbean, he maintained the same point of view.

<sup>49</sup>"Cabot Switches from Latin Post," New York Times, Feb. 12, 1954, p. 8.

<sup>50</sup>"U.S. Bids Americas Seek Private Help," New York Times, Feb. 19, 1954, p. 6.

<sup>51</sup>See Roland Schneider, Communism in Guatemala, 1944-1954 (New York: F. A. Praeger, 1959); also Cabot, Toward Our Common American Destiny, pp. 82-97.

<sup>52</sup>"Latin Republics Feel U.S. Neglecting Them," New York Times, Feb. 28, 1954, Sec. IV, p. 6.

<sup>53</sup>"Inter-American Conference," New York Times, March 1, 1954, p. 24.

<sup>54</sup>Costa Rica objected to the dictatorial regime of President Marcos Pérez Jiménez and did not attend for that reason.

<sup>55</sup>"Report of the Pan American Union on the Tenth Inter-American Conference," Annals of the OAS, Vol. VI, No. 4, 1954 (appendix), pp. 7-8.

<sup>56</sup>Ibid., p. 8.

<sup>57</sup>"The Spirit of Inter-American Unity," Department State Bulletin (XXIX, No. 768), March 15, 1954, pp. 379-380; "American States Urged by Dulles to Stop Reds Now," New York Times, March 5, 1954, p. 1; "Dulles Assurance on Loans Cheered," New York Times, March 5, 1954, p. 3.

<sup>58</sup>"Dulles Assurance on Loans Cheered," op. cit.

<sup>59</sup>"Pan American Economic Relations," Department of State Bulletin (XXIX, No. 769), March 22, 1954, pp. 426-427; also, "Dulles Pledges Closer Ties to Latin American Economies," New York Times, March 11, 1954, p. 1.

<sup>60</sup>"Pan American Economic Relations," Department of State Bulletin (XXIX, No. 769), March 22, 1954, pp. 427-429; "A Duty Is Cut on Uruguayan Wool," New York Times, March 9, 1954, p. 37.

<sup>61</sup>Ibid.; "Latins Seek Talks by Finance Chiefs," New York Times, March 9, 1954, p. 5.



<sup>62</sup>"Guatemala Asks Ban on Boycotts," New York Times, March 18, 1954, p. 13; "U.S. Wins Twice in Caracas Talks," New York Times, March 23, 1954, p. 8; "American States for Land Reform," New York Times, March 24, 1954, p. 9.

<sup>63</sup>"U.S. Cautioned on Food Dumping," New York Times, March 18, 1954, p. 13; W. G. Bowdler, "Report on the Tenth Conference," Department of State Bulletin (XXIX, No. 774), April 26, 1954, pp. 634-638.

<sup>64</sup>Ibid.

<sup>65</sup>Ibid.

<sup>66</sup>Bowdler, "Report on the Tenth Conference," op. cit.

<sup>67</sup>Ibid.

<sup>68</sup>"Report of the PAU," Annals of the OAS, Vol. VI, No. 4, 1954, pp. 9-10.

<sup>69</sup>Ibid., pp. 3-4 (Res. LXVI).

<sup>70</sup>Ibid. (Res. XC).

<sup>71</sup>Ibid. (In order, Resolutions LXV, LXXII, LXX, LXXVIII, LXXX and LXXXIV).

<sup>72</sup>Ibid. (Resolutions LXXXIX, LXXVII).

<sup>73</sup>"Americas Meeting by 17-1 Adopts U.S. Curb on Reds," New York Times, March 14, 1954, p. 1. (Res. XCIII in Final t).

<sup>74</sup>"U.S. Facing Fight on Anti-Red Plan at Latin Par-  
r," New York Times, March 8, 1954, p. 1.

<sup>75</sup>"Pan Americanism Gets New Lift at Caracas," New  
k Times, March 14, 1954, Sec. IV, p. 6.

<sup>76</sup>"Americas Meeting by 17-1," op. cit.; a Latin  
ican delegate, at the time, remarked that the decision  
taken "without joy," and Guatemalan Foreign Minister  
lermo Toriello, in defending his nation, drew the long-  
vation at the conference.

<sup>77</sup>"Wind Up at Caracas," New York Times, March 28,  
Sec. IV, p. 2E.

<sup>78</sup>"End at Caracas," New York Times, March 29, 1954,

## CHAPTER EIGHT

### "A NEGATIVE CONFERENCE WITH NEGATIVE RESULTS"

#### I

Three further developments in 1954, besides the Tenth Conference, complicated still more the already strained fabric of inter-American relations. These were a sharp dispute over coffee prices, a scarcely masked U.S. intervention in Guatemala, and a rising trade and aid offensive in Latin America by the Soviet Bloc.

The first served to convince many Latin Americans that there was little hope of assistance from the United States in assuring what they considered equitable prices for their products. The second, coming on top of the resentments aroused at Caracas, cast doubts on the political intentions of the United States. And the third seemed to offer Latin America an alternative to dependence on the United States, or, at least, a useful lever for further U.S. concessions.

The first to develop was the "coffee crisis."

#### II

In late 1953, following a disastrous frost in the southern coffee growing areas of Brazil, coffee prices rose rapidly. World supply and demand had been in rough

balance. Coffee importers, anxious to protect themselves against tight supplies because of the frost, bought heavily for future delivery. This, in turn, forced up existing retail prices. By early 1954, the cost of a pound of vacuum-packed, roasted coffee in the United States was pushing \$1. A buyer reaction set in. Latin Americans were told, and believed, that "a campaign against the consumption of coffee" was being waged in the United States.<sup>1</sup> The belief was based, largely, on some intemperate statements by coffee roasters, and a few members of the U.S. Congress.<sup>2</sup>

Colombia, the second largest (after Brazil) coffee producer, called the matter to the attention of IA-ECOSOC on January 24, 1954. It asked a Special Committee on Coffee to examine all aspects of the price increases, including causes and repercussions.<sup>3</sup> The committee, in a heated and lengthy session on February 4, received an analytical memorandum from its U.S. member. The memorandum, in general terms, attributed the increase to the supply and demand situation. It absolved Latin America of charges of creating the price advances by artificial means. This was adopted as a definitive statement on the situation.<sup>4</sup>

The committee, however, went beyond the statement, and prepared a draft resolution which reflected the extreme Latin American sensitivity on the issue. The resolution noted "a campaign in the United States against the consumption of coffee," and said this was an act contrary to

inter-American solidarity. Such a campaign, it said,

seriously threatens to restrict inter-American trade . . . would impair the legitimate economic interests of the coffee producing nations . . . and might gravely affect friendly relations.

It recommended that the governments employ every means to counteract such activity "including the use of such collective means as are provided by the organs of the Organization of American States"--an indirect reference to the possibility of bringing a charge of economic aggression before the OAS Council.<sup>5</sup>

Despite U.S. objections, IA-ECOSOC approved the resolution on February 11. It further recommended that both the memorandum and the bluntly worded resolution be made public, as they were.<sup>6</sup>

The price advance nevertheless continued. In an effort to cool consumer protest at home, and take some of the sting from the Latin American charges, the U.S. Federal Trade Commission undertook an investigation. It reported in July, when the retail price of coffee had gone to \$1.25 a pound or more, that while there had been some speculation in the market, more ample supplies, and lower prices, were in sight.<sup>7</sup>

An immediate effect of the price rise, however, was a sharp drop in U.S. imports from Latin America, and a rise of interest in African coffees. In the long run, the price increases turned the North American consumer toward alternative drinks--colas, fruit juices and tea--spurred the

use of soluble coffee, and caused him to drink weaker brewed coffee. These changes in consumer tastes served to weaken demand for coffee in the United States. They held down what could have been a steady expansion in Latin American exchange earnings from coffee.<sup>8</sup>

The chief effect, however, was psychological. The reaction in the United States reinforced a Latin American belief that the North American was not really interested in helping Latin America expand its trade and exchange earnings. The charge that the United States preferred to keep Latin America as a producer of raw materials, at the mercy of fluctuations of international markets, gained in validity. The episode strengthened Latin American determination to press for a more advantageous system.

The second development--the overthrow of the Arbenz government in Guatemala, also affected the psychological climate of inter-American relations. Under increasing pressure from conservative exiles, the Arbenz administration, as a self-defense measure, sought to purchase arms from abroad. When it could not get them in the United States, which was angered, among other reasons, by official Guatemalan support for charges of "germ warfare" in China, it arranged for shipments from Czechoslovakia. The United States denounced the purchase, and set in motion plans for hemispheric consultations under the anti-communist resolution approved at Caracas. But meanwhile, exile forces from Honduras and Nicaragua, with considerable evidence of U.S.

backing, moved against Arbenz. When his own military refused to support him, the rebels triumphed. The incident again aroused latent Latin American fears of direct political intervention by the United States--an issue which had been virtually dormant since 1933.<sup>9</sup>

A third development, also bearing on U.S. relations with Latin America, in the light of the avowedly anti-communist aims of the Eisenhower administration, was a sharp rise in trade relations between the Latin American nations and Soviet Bloc countries. The drive in Latin America, apparently, was part of an overall bid by the Soviet Union to expand its world influence. It did not arise from a specific Soviet desire for a confrontation with the United States in Latin America. Rather, the Soviet move sought to neutralize Latin America in the Cold War struggle. The Russians held out the possibilities of trade and aid, while utilizing the numerically small but potent Latin American communist parties to create tensions with the United States.<sup>10</sup>

The Soviet economic drive was concentrated in Argentina, Brazil, Cuba and Uruguay, all of which had products desired either in Russia or in other Bloc countries. Latin American exports to the Bloc increased from a total of \$38.4 million in 1953 to \$143 million in 1954. Imports rose from \$26.8 million to \$105 million. So the percentage increases were quite substantial, although even at the later levels, only about two per cent of either Latin America's import or export trade was involved. There also was an occasional

indication of Soviet aid for economic development, most notably a \$100 million oil development credit for Argentina. But the Bloc countries, generally, failed to provide goods desired in Latin America. So the trade never fully reached the levels contemplated in the agreements, and Latin America shipped more goods than it received.<sup>11</sup>

Nevertheless, the situation was closely watched by the United States, as a form of Soviet probing in the Cold War. The Latin American nations, fully aware of the tension between the two major powers, sometimes sought to play off Soviet interest for intensified assistance or concessions from the United States. This, in turn, helped further to strain already complicated relations.

### III

Against this background, IA-ECOSOC met on April 8, 1954, and appointed an ad hoc committee to make preparations for the special economic reunion to be held in Brazil, late in the year. By July 1, the Council had approved a four point agenda and sent it on to the governments for their comments. It envisioned discussions on international trade, economic development, transportation and "other economic and financial matters." Prices, markets, and funds for development, of course, figured as sub-points.<sup>12</sup> On July 15, Brazil, as the host country, suggested that an opening date of November 22 would be appropriate for the meeting.<sup>13</sup>

A report prepared by ECLA, however, overshadowed the IA-ECOSOC preparations. It was titled International Cooperation in a Latin American Development Policy,<sup>14</sup> and had been prepared by six well-known Latin American political figures.<sup>15</sup> They recommended that foreign capital assistance to Latin America, over the coming ten years, total \$1 billion a year. Between \$650 and \$700 million of the yearly flow, it said, should be in public resources, and the remaining \$300 to \$350 million in private foreign investments. The \$1 billion level, it further noted, was roughly double the average net investment from the United States, in both public and private funds, over the preceding three years.<sup>16</sup>

Other of the 18 recommendations in the report proposed the creation of an inter-American fund for industrial, agricultural and mining development, with a nominal capital of \$250 million, and annual quota contributions from the United States of \$50 million over a 15 year period; the preparation of detailed development projects by the Latin American nations; and the establishment of a five member consultative group which would provide "independent" help in the preparation of the development plans. Vigorous cooperative efforts to expand trade, especially among the Latin American nations, and for further expansion of technical assistance, also were recommended.<sup>17</sup>

In Latin America, the ECLA report immediately was accepted as a just and reasoned expression of what Latin America should expect from the United States. The precise





target figure of \$1 billion a year, whatever its theoretical base,<sup>18</sup> was one around which Latin America could rally. It was simple and clear. In essence, the ECLA report came to be closely identified with Latin America's aspirations, so closely that the Charter of Punta del Este, seven years later, reflected its suggestions.<sup>19</sup>

In the United States, on the other hand, the report attracted little attention, or public comment. The ECLA proposals, certainly, were far removed from U.S. thinking. No really radical changes in attitude were contemplated. Assistant Secretary Henry F. Holland, at the time the report was made public, was touring in Latin America. There, he was sounding out opinion, and stressing positive points in the U.S. approach to the meeting in Brazil.

These included the facts that the U.S. delegation would be headed by Treasury Secretary George M. Humphrey; that President Eisenhower had recently signed a bill extending the lending authority of the Export-Import Bank; and that the President also had rejected proposals for tariff boosts on tin and zinc.<sup>20</sup> Holland avoided discussion of other matters--a situation which also was evident in IA-ECOSOC. A feeling of "reserved pessimism" grew among Latin Americans.<sup>21</sup>

Their fears were confirmed on October 27 when Holland spoke to the Pan American Society in New York. He outlined the U.S. position for the Rio talks. The United States, he said, would support the expansion of inter-American trade,

and contemplated an intensified technical assistance program. This last, he said, would have "tremendous" effect and "aimed squarely at the basic needs of Latin America." But he squashed suggestions that the United States help stabilize Latin American commodity prices--coffee was obviously in point. He observed that commodity arrangements "would simply shift to this nation a large part of the risk of price fluctuations." Again, he urged Latin American nations interested in economic development to seek to attract private capital.<sup>22</sup>

The speech was gloomily received in Latin America. Rio's Correio da Manhã commented editorially that the U.S. position "leaves no doubt as to the results of the conference. . . . It has already failed before it has begun." Holland's statements on private capital, the editorial said, "are too well known to resolve anything."<sup>23</sup>

In early November, Ambassador Merwin L. Bohan resigned as U.S. representative on the Inter-American Economic and Social Council, indicating that he disagreed with the policy contemplated for the Rio conference. His letter, notably, was not made public. The internal review of U.S. policy toward Latin America, which had been indicated at Caracas, had produced a hardening of previously existing attitudes.<sup>24</sup>

The reasons for this hardening are by no means clear. The move to support the economic meeting, clearly, was dictated by the need of votes for the anti-communist resolution at Caracas. By November, Arbenz had been overthrown and Carlos Castillo Armas was securely in power, so a major

danger point had passed. But other developments also may have produced the shift. For one, Assistant Secretary Holland was not as sympathetic toward Latin America as Assistant Secretary Cabot had been, and consequently, was less likely to urge revised programs. For another, Secretary Dulles, during much of the period, was intensely involved with the Geneva conference and its aftermath, and Under Secretary Herbert C. Hoover, Jr., who "ran the shop" in Dulles' absences, himself shared the conservative business views of Secretary Humphrey. Lastly, the climate in the U.S. Congress, during the debate over a three-year extension of the Trade Agreements Act, an integral part of the Randall plan, was interpreted as unfavorable to concessions to Latin America.<sup>25</sup>

Despite this, Under Secretary Hoover, as he departed for Brazil, predicted that the meeting would "mark a new era in our partnership to improve the social and economic well-being of all of our peoples."<sup>26</sup>

#### IV

The Brazilians, as in 1947, had decided that an appropriate place for the conference--officially titled the "Fourth Extraordinary Meeting of the Inter-American Economic and Social Council, with the Participation of Ministers of Finance or of Economy"--would be the huge and rarely-filled Quitandinha Hotel on the outskirts of Petropolis, 35 miles from Rio de Janeiro.<sup>27</sup> With the summer season not yet fully

underway, there should be little difficulty in accommodating the 300 delegates and advisers.

Brazilian President João Café Filho, who had succeeded Getulio Vargas, addressed the opening. As presidents before him, in other conferences, in other cities, he chose to stress the need for greater economic cooperation. He urged the delegates to see to it that posterity did not judge their efforts as "too little and too late." More specifically, he recalled that the idea for an inter-American bank had been proposed at the First International Conference of American States in 1890. "Action should no longer be delayed," he said.<sup>28</sup>

Secretary Humphrey, as the head of the U.S. delegation, spoke on November 23, the second day of the conference. In the predictable portions of his speech, he stressed the need for "a vigorous free enterprise system"; the desirability of getting governments out of business; and the need to "give maximum access to the great reserves of private investment capital that are available."

The problem of prices, he further added, would be eased if "a steady and healthy growth" could be assured producers. Already, he said, two-thirds of Latin America's exports to the United States were on the free list, and tariffs on the remaining third were among the lowest in the world.

Nevertheless, as Dulles had done at Caracas, Humphrey made some minor concessions. He said the Export-Import

Bank would provide "medium term" credits for development, although the World Bank would remain the primary source for longer term loans. Also, he said, the Eisenhower administration would ask the U.S. Congress to support participation in the U.N. proposed International Finance Corporation (IFC), which would have a capitalization of \$100 million, and could operate in the area of "venture capital." Other proposals to be made to the Congress, Humphrey said, included a reduction in taxes on foreign income, and bilateral tax treaties which would recognize tax concessions and tax waivers, granted to firms investing abroad.<sup>29</sup>

The speech had a "mixed" reception.<sup>30</sup> Obviously, neither Humphrey nor the United States had moved as far as the Latin Americans had hoped--particularly on prices, tariffs, and an inter-American financial institution. But there was some grudging respect for the frankness with which Humphrey spoke, and acceptance of the possibility of medium-term lending from the Export-Import Bank, the tax concessions, and the promise of U.S. support for the IFC. "Something is better than nothing," is a truism which is particularly popular in Latin America.

Humphrey also met individually with other of the finance ministers, generally his juniors by some 20 to 30 years. In these meetings, he held out little positive hope for bilateral arrangements, even instructing his interpreter at one point: "Whatever they want, tell them no."<sup>31</sup> The "negative" position of the United States, however, did not

pass without dissent from within the U.S. delegation.

Representative James G. Fulton (D-Pennsylvania), a member of the House Foreign Affairs committee, made the dissent public in a news conference. He criticized the U.S. position as being too conservative. "We are handing out billions in Europe and Asia, and we are offering a mere pittance to our own family in Latin America," he said. On his return to Washington, he added, he would recommend an immediate \$1 billion allocation for Latin America, for long-term loans and grants, as well as a huge sale of U.S. surplus agricultural commodities at reduced prices, with the proceeds to go to development projects.<sup>32</sup>

Two other Congressional members of the delegation expressed their own discontent with the U.S. position. Senator George A. Smathers (D-Florida) said he agreed with Fulton that Humphrey "did not go nearly as far as Congress would have wanted him to go."<sup>33</sup> And Senator Homer Capehart (R-Indiana), a ranking Republican, later declared that he would recommend "a program whereby we cooperate directly with Latin America and do not tie in everything we do with world affairs." Capehart, who had toured Latin America the previous year for his Banking Committee, said he was not criticizing current policies, but merely wished to "add something new to the many good things we are doing."<sup>34</sup>

The dissents, however, did little to change the U.S. position. Other members of the U.S. delegation pointed out, anonymously, that the program had been worked out by

the Executive Department, over a six month period. Congressional leaders had been briefed on it, both during the formative stage, and on the conclusions. The Congress, the spokesmen indicated, was in agreement with the policy.<sup>35</sup> So the chief effect was to presage the later emergence of Latin American policy as a political issue, within the United States.

## V

In the course of the committee discussions, and the signing of the Final Act, the United States registered seven abstentions, and at least one unexpected affirmative vote.

The last came on a resolution, supported by the coffee-producing countries, asking IA-ECOSOC's special committee on coffee to make "a detailed study of the world coffee situation and its prospects for the future." If the study showed the possibility of adopting measures of international cooperation, the resolution said, draft texts should be prepared.<sup>36</sup> In this, there were the seeds for a later Coffee Study Group, an Inter-American Coffee Agreement, and the International Coffee Agreement.

The most noticeable of the U.S. abstentions, however, came on what essentially was a Chilean proposal that IA-ECOSOC direct a study for a regional financial institution--an inter-American bank. Since the Caracas conference, the U.S. explanation said, the United States had worked on developing a program "which is feasible for us." If the



United States were to participate in a new institution, this "would undoubtedly raise the question of duplication of facilities and endanger important features of the present program." So the United States, while not opposing the study, would not participate in it.<sup>37</sup>

Another U.S. abstention came on an allied proposal. It contemplated a Latin American request to the International Monetary Fund for increases in their quotas, so that it could better attend their needs. The United States said it was not prepared to consider an increase in its own quota of \$2.75 billion.<sup>38</sup>

Three other U.S. abstentions were recorded on a series of draft resolutions dealing with prices. One proposed the establishment of "critical" price levels and the creation of buffer stocks. The United States said such devices were "neither practicable nor negotiable." A second directed IA-ECOSOC to study the establishment of an "anti-cyclic credit policy," including periodic statements on the terms of trade. A third asked IA-ECOSOC to establish procedures for consultation in the event of serious economic conditions caused by price fluctuations. The U.S. view was that consultation already was required, under the OAS charter.<sup>39</sup>

The final U.S. abstentions were on resolutions recommending the removal of any discriminatory practices by one American nation against another, and the establishment of an inter-American institute to promote cooperation in industry, technology and production. On the first, the

U.S. abstention--with six other nations voting negatively--was based on a belief that the resolution failed to "take into account certain special considerations recognized by existing multilateral agreements." On the last, the United States felt no new institution was needed.<sup>40</sup>

Other of the resolutions in the final act called for the development of inter-American trade, with emphasis on inter-Latin American trade; an IA-ECOSOC study of the possibilities of economic integration for groups of countries "when such integration is based on multilateral action"; and, again, the preparation of economic development programs, which would provide estimates of investments and evaluations of the technical resources required.<sup>41</sup> The first two, of course, looked toward the later development of a Latin American Common Market.

Curiously enough, although the Quitandinha meeting was viewed as a prelude to a full-fledged inter-American economic conference, there was only a passing reference to this fact in the Final Act. A resolution on economic cooperation noted that the Caracas conference had asked a compilation of economic declarations to be used in preparing a draft text for a general economic agreement. This, the resolution said, should be considered at a meeting of plenipotentiaries, "such as is to be held in Buenos Aires."<sup>42</sup> At the December 2 final session, however, it was announced that the Inter-American Economic Conference would be held in Buenos Aires in 1956.

## VI

For the Quitandinha meeting itself, however, there was little Latin American enthusiasm.

Antonio Carrillo Flores of Mexico, one of the concluding speakers, remarked that public opinion would find its work "not sterile," which damns with faint praise indeed. Carlos Lleras Restrepo of Colombia said he did not feel enough had been done toward increasing banking facilities and stabilizing commodity prices.<sup>43</sup>

In private, one Latin American delegate characterized the meeting as "a negative conference with negative results."<sup>44</sup>

The United States delegation, however, put a good face forward. Assistant Secretary Holland commented that the United States had found complete unanimity with Latin America on aims to be pursued in the economic fields. Senator Alexander Wiley (R-Wisconsin), then chairman of the Senate Foreign Relations Committee, said he was "well-pleased" with the results.<sup>45</sup>

By a tactic of postponement, as on the study of a coffee agreement, and minor concessions, as on the IFC, the United States had weathered another conference. But Latin America had overridden U.S. abstentions, and voted to pursue further objectives which it desired. The fabric of inter-American economic relations had worn dangerously thin.

## FOOTNOTES

### CHAPTER 8

<sup>1</sup>Pan American Union, Annals of the Organization of American States, Vol. VI, No. 2, 1954, pp. 105-107; J.W.F. Rowe, Primary Commodities in International Trade (Cambridge: Cambridge University Press, 1965), pp. 177-179.

<sup>2</sup>The Chocful-o-Nuts firm issued a number of critical statements and Rep. Leonor Sullivan of Missouri, among others, objected to the price rises on behalf of North American consumers.

<sup>3</sup>Annals of the OAS, Vol. VI, No. 2, 1954, pp. 105-107.

<sup>4</sup>Ibid.

<sup>5</sup>Ibid.

<sup>6</sup>Ibid.

<sup>7</sup>U.S., Federal Trade Commission, "Economic Report of the Investigation of Coffee Prices" (Washington: Government Printing Office, 1954).

<sup>8</sup>Pan American Coffee Bureau, "Annual Coffee Statistics, 1955, No. 19" (New York: Pan American Coffee Bureau, 1956); J. P. Powelson, Latin America (New York: McGraw-Hill, 1964), pp. 157-158; Naciones Unidas, CEPAL, "Estudio Economico de America Latina, 1954" (Nueva York: Naciones Unidas, 1955) (E/CN 12/362 Rev. 1, pp. 88-89.

<sup>9</sup>See Philip B. Taylor, Jr., "The Guatemalan Affair: A Critique of U.S. Foreign Policy," American Political Science Review, September, 1956, pp. 787-814; Frederick B. Pike, "Guatemala, the United States and Communism in the Americas," Review of Politics, XXVII, April, 1955, pp. 232-261; and Richard Stebbins (ed.), The United States in World Affairs, 1954 (New York: Harper, 1956), pp. 367-390.

<sup>10</sup>U.S., Senate, Foreign Relations Committee, "Soviet Bloc Latin American Activities and Their Implications for U.S. Foreign Policy," 86th Cong., 2nd Sess. (Washington: Government Printing Office, 1960), pp. 98-99; Robert Loring Allen, Soviet Influence in Latin America: The Role of Economic Relations (Washington: Public Affairs Press, 1959), pp. 101-104.

<sup>11</sup>U.S., Senate, "Soviet Bloc Latin American Activities," op. cit., pp. 1-7.

<sup>12</sup>Annals of the OAS, Vol. VI, No. 3, 1954, pp. 173-174.

<sup>13</sup>Ibid., pp. 174-175.

<sup>14</sup>United Nations, ECLA, "International Cooperation in a Latin American Development Policy" (New York: United Nations, 1954) (E/CN 12/359).

<sup>15</sup>They were Evaristo Araiza of Mexico, Rodrigo Facio of Costa Rica, Eduardo Frei of Chile, Francisco García Olano of Argentina, Carlos Lleras Restrepo of Colombia and Cleantho de Paiva Leite of Brazil. Frei and Lleras Restrepo were presidents of their nations in the 1960's.

<sup>16</sup>U.N., ECLA, "International Cooperation," op. cit., pp. 129, 16-17.

<sup>17</sup>Ibid., pp. 131-137.

<sup>18</sup>The projection estimated that Latin America's gross annual investments would have to reach 20 per cent of total income. Since the 1953 investment rate, on income of \$46 billion, was only 14 per cent, the study argued that the remaining six per cent, or \$2.8 billion, would have to come from abroad. But even so, the study remarked "until research is intensified and made more widespread, it would be rash to establish the precise totals which foreign investment should reach if a given rate of growth is to be attained. . . . But meanwhile, it would appear no exaggeration to fix, as a provisional reference point for an investment policy, the attainment, over a three-year transition period, 1955 through 1957, of a total volume of United States capital investment amounting annually to at least some 1,000 million dollars."

<sup>19</sup>The Charter of Punta del Este, establishing the Alliance for Progress, indicated that the United States, over the 10 year period, 1961-1971, would provide \$1 billion a year. The Charter also established a group of nine economists--the "nine wise men"--to review development plans.

<sup>20</sup>"U.S. Economic Aims on Parley Sought," New York Times, Sept. 13, 1954, p. 11.

<sup>21</sup>"U.S. View Dampens Rio Parley Plans," New York Times, Oct. 21, 1954, p. 15.

<sup>22</sup>"Trade Rise Is Aim, U.S. Tells Latins," New York Times, Oct. 28, 1954, p. 8.

<sup>23</sup>"U.S. Said to Make Rio Parley Futile," New York Times, Oct. 31, 1954, p. 28.

<sup>24</sup>"Latin Hopes Dim for U.S. Aid as Parley Nears," New York Times, Nov. 21, 1954, p. 1.

<sup>25</sup>A Latin American joke, in 1955, was that their aspirations were being blocked by the "4-H Club"--composed of Humphrey, Hoover, Budget Director Rowland Hughes and International Cooperation Administrator John Hollister.

<sup>26</sup>"Latin Hopes Dim," op. cit.

<sup>27</sup>A feature of the hotel was a gambling casino, but certain forms of gambling had been prohibited in Brazil after the hotel was under construction. It consequently became something of a "white elephant," with some government money tied up in it. So there was a deliberate effort by the government to see that it was used for international conferences.

<sup>28</sup>"Unity Plea Opens Rio Economic Talks," New York Times, Nov. 23, 1954, p. 1.

<sup>29</sup>Nathaniel R. Howard (ed.), The Basic Papers of George M. Humphrey (Cleveland: Western Reserve Historical Society, 1965), p. 467; "Increased Aid Offered to Latins," New York Times, Nov. 24, 1954, p. 1.

<sup>30</sup>"Increased Aid Offered to Latins," op. cit.

<sup>31</sup>This later was told to me by a responsible official who served as an aide to Humphrey at the time.

<sup>32</sup>"U.S. Aid Program for Latins Scored," New York Times, Nov. 26, 1954, p. 1. A mild diplomatic incident developed when U.S. Ambassador to Brazil James Scott Kemper, who had planned a reception for the delegates, sent word to Fulton that he was "unable to receive him." Fulton was dressing for the reception at the time. In December, Kemper, a Chicago insurance executive and former Republican party treasurer, had his resignation accepted.

<sup>33</sup>Ibid.

<sup>34</sup>"Capehart Advocates Policy of U.S. Priority for Latins," New York Times, Nov. 28, 1954, p. 1.

<sup>35</sup>"U.S. Embassy in Rio Rebuffs Critic of Aid Plan for Latins," New York Times, Nov. 23, 1954, p. 1.

<sup>36</sup>Annals of the OAS, Vol. VI, No. 4, 1954, p. 263, Res. 34/54.

<sup>37</sup>Ibid., p. 279, Res. 62/54.

<sup>38</sup>Ibid., p. 283, Res. 66/54.

<sup>39</sup>Ibid., p. 264, Res. 36/54; p. 262, Res. 32/54; p. 265, Res. 37/54.

<sup>40</sup>Ibid., p. 269, Res. 45/54; p. 270, Res. 48/54.

<sup>41</sup>Ibid., p. 268, Res. 44/54; p. 269, Res. 47/54; p. 276, Res. 57/54.

<sup>42</sup>Ibid., p. 266, Res. 39/54.

<sup>43</sup>"Rio Conference Ends with Major Accords," New York Times, Dec. 3, 1954, p. 1.

<sup>44</sup>"Aids for Travel Voted at Rio," New York Times, Dec. 1, 1954, p. 14.

<sup>45</sup>"U.S. Sees Americas in Economic Unity," New York Times, Dec. 2, 1954, p. 19.

## CHAPTER NINE

### "THE PAN AMERICAN SPIRIT FADES AWAY"

The deepening division between the United States and Latin America, made evident at Quitandinha, clearly indicated a need for a longer "breathing space" before the next major economic discussions. The decision not to hold the Economic Conference of the Organization of American States until 1956 reflected this need. And events in Argentina, featured by the September, 1955, overthrow of President Juan Perón, made it difficult for that nation to play host.<sup>1</sup>

So the Inter-American Economic and Social Council took its time in beginning work on the conference. It waited until April, 1955, to distribute to committees the Quitandinha resolutions in which it was concerned. An ad hoc committee to prepare a draft economic agreement was not named until August 14, 1955. And it took a full year after the meeting in Brazil to name a committee to begin planning for the Buenos Aires conference. A provisional agenda was not reported out until March 8, 1956.<sup>2</sup>

But nine experts from Central Banks in Argentina, Brazil, Chile, Cuba, Mexico and Venezuela, among others, met in Santiago, Chile, from February 17 to April 15, 1955, and prepared a new draft agreement for an inter-American



bank. Their report proposed that the bank have a capitalization of \$200 million, half of which was to be subscribed by the United States.<sup>3</sup> On June 2, IA-ECOSOC sent the report on to member governments for their observations and comments, to be made within a three month period.<sup>4</sup> By September, only five governments had expressed opinions, so the time was extended, in hopes that other responses would be forthcoming.

By May, 1956, 14 nations had replied. Only nine--Chile, Colombia, Costa Rica, Mexico, Dominican Republic, El Salvador, Honduras, Panama and Ecuador--indicated that they would be prepared to participate in such an institution. The United States said definitely it would not join, a position also taken by Cuba and Peru. Argentina and Venezuela, among the major nations, did not reply, and Brazil said it still was considering the matter.<sup>6</sup> Without the promise of U.S. participation, it was evident that the proposal would not prosper.

On coffee, another of the major problems discussed at Quitandinha, more positive work did go forward. A special sub-committee on coffee was installed on January 18, 1955. In a long series of subsequent meetings, it reviewed the world coffee situation, and ultimately presented a confidential memorandum suggesting the basis for an international coffee agreement. In early 1956, IA-ECOSOC sent the memorandum to the governments. A majority favored the next proposed step, the actual preparation of a draft agreement.<sup>7</sup> The sub-committee then was asked to proceed, although

the United States reserved its position on ultimate participation in such an accord.<sup>8</sup>

By early 1956, then, with new proposals and data coming in, it was possible to give greater attention to the economic conference. A simple four point agenda was approved on March 20. On April 3, IA-ECOSOC reported to the Council of the Organization of American States that it could complete preparations for the conference by July 31, 1956, so that the meeting could begin sometime after August 31, 1956.<sup>9</sup> The OAS Council, after reviewing other scheduled meetings and possible conflicts, then set August 15, 1957, as the date for the opening of the long-awaited Economic Conference.<sup>10</sup>

At this stage, however, a proposal for another type of inter-American conference took the center of the stage.

Ambassador Luís Quintanilla of Mexico proposed to the OAS Council in April that the Council hold a special session in Panama in June or July, commemorating the 130th anniversary of the Congress of Panama. After agreement by President Ricardo Arias Espinosa of Panama, the Council approved the plan on May 2, 1956. Then, at a subsequent meeting, the Council was told Arias had decided to invite the other Chiefs of State of the Americas to meet concurrently, June 22-26.<sup>11</sup>

Whether Arias acted entirely on his own initiative, or at some indication that President Eisenhower would be interested in attending such a meeting, is not clear.

However, Dr. Milton S. Eisenhower later referred to the Panama proposal as having been "conceived" by Assistant Secretary Henry F. Holland.<sup>12</sup> It was obvious, from the U.S. point of view, that some new demarche in inter-American relations was desirable.

For one thing, the low level of U.S. assistance to Latin America was under increasing attack. Former Assistant Secretary of State Adolf A. Berle, Jr., with influential liberal ties, pointed out that the 1956 foreign aid proposals included only \$127 million for Latin America. He advocated a hemispheric economic system.<sup>13</sup> A New York Times survey, by Tad Szulc, concluded that the Latin American countries felt that they were "not receiving the share of U.S. aid that they deem necessary for orderly and rapid development."<sup>14</sup> Ambassador Francisco Urrutia of Colombia noted that Latin America had received only one per cent of the \$60 billion the United States had spent on foreign economic development since World War II.<sup>15</sup>

A counter for such criticism was needed. At the same time, with the 1956 presidential elections nearing, some news-making foreign affairs activity was indicated. But the inauguration of any radical or expensive new program was inhibited both by the basic philosophy of the Administration, and a rising Congressional distaste for the continuation of foreign assistance.<sup>16</sup> In such a quandary, the traditional tactic of suggesting a new study, but under conditions which would postpone the need for

immediate decisions, was admirably suited.<sup>17</sup> The Panama initiative, however, nearly foundered when President Eisenhower suffered an attack of ileitis. The twin meetings, of the chief executives and the OAS Council, had to be postponed from June until July.<sup>18</sup>

But as the meeting got under way, a "well-informed" U.S. source hinted that the United States planned to unveil a "new policy" toward Latin America. This, he indicated, would consist of a shift in emphasis from bilateral to multilateral arrangements, and a strengthening of the OAS. Neither an increase nor a decrease in U.S. assistance was contemplated, the source indicated.<sup>19</sup> But the Latin Americans would be asked to do more for themselves. Eisenhower, it was reported, sought to convey the thought that "the time has come for the Latin Americans to face their own responsibilities and not just wait for the United States to solve their problems."<sup>20</sup>

The chief executives signed a five-point "Declaration of Panama." But the chief lasting significance of the meeting came in a proposal by Eisenhower. He asked each president to "name a special representative to join in preparing for us concrete recommendations for making our Organization of American States a more effective instrument in those fields of cooperative effort that affect the welfare of the individual." Such representatives, Eisenhower said, should provide "practical suggestions in the economic, financial, social and technical fields which our Organization

might appropriately adopt." He was asking his brother, Dr. Milton S. Eisenhower, to be his representative, he said.<sup>21</sup> The other presidents, of course, agreed to the suggestion.

Venezuela's President-Dictator, Marcos Pérez Jiménez, however, had more grandiose plans. He proposed the establishment of an inter-American economic fund, and said Venezuela was prepared to advance 100 million bolívars (\$32,362,495) toward it. This, however, was on the condition that other nations contribute a similar 3.75 per cent of their own national incomes.<sup>22</sup> In the case of the United States, with federal government income of \$65 billion, this would have amounted to an outlay of contribution of \$2.5 billion. Even for less wealthy nations, it would have been a considerable sum. The suspicion was that Peréz Jiménez was merely seeking publicity, although he later formally confirmed his offer in a note to the OAS Council. Interest in it, however, was slight. After a year, the proposal was withdrawn.<sup>23</sup>

The United States also followed up Eisenhower's suggestion, with a diplomatic note to all Latin American capitals, repeating the terms of reference for the proposed Inter-American Committee of Presidential Representatives (ICPR). Particularly, the note said, the representatives were to look toward the "more effective utilization of the Organization (OAS) by member governments."<sup>24</sup>

## II

The first session of the ICPR was held in Washington, September 17-19, 1956. A number of the nations, responding

to the suggestion that high level representatives be named, had picked individuals of ministerial or sub-ministerial rank. But others named their ambassadors in Washington. In some cases, the same ambassadors also served as representatives to the OAS.<sup>25</sup> The implication is that the Latin American governments, while interested in the proposal for the study group and willing to go along with it, were not particularly impressed with it.

Before the first session, Cuban Minister of State Gonzalo Güell objected that the proposals circulated by the United States were "unduly narrow."<sup>26</sup> His objection, however, apparently was resolved in the closed door meeting. Dr. Milton Eisenhower, who was chosen chairman, stated the U.S. position. The United States, he said, was especially interested in helping put nuclear energy to work for the benefit of the American peoples. Already, he said, the United States had signed "Atoms-for-Peace" agreements with 11 of the American Republics, and was negotiating such pacts with others. Additional steps were being taken to spread information and ideas on the peaceful applications of atomic energy in the Western Hemisphere.<sup>27</sup>

A "Communiqué for Press," distributed at the close of the sessions on September 19, noted that the committee had agreed to study problems which were summarized under the headings economic, social, financial, technical, organization, administrative and atomic energy. There was a "universal desire" to strengthen the OAS, the communiqué

said.<sup>28</sup> A small committee secretariat was established, to work under Dr. Eisenhower, and the OAS was asked to prepare "factual reports" for the group. A second meeting, the communiqué said, would be held in January, at which time an agenda would be prepared for a third and final meeting later in 1957.<sup>29</sup>

In these latter two meetings, which also were closed to the press and public, the two chief controversies involved the Latin American desire for a new financial institution, and the location of a proposed Inter-American Nuclear Energy Institute. Dr. Eisenhower, holding to the official U.S. position, maintained that another lending entity was not needed. But feeling apparently ran so strong that he was able to get agreement on other points only at the price of referring the issue to the Buenos Aires Economic Conference.<sup>30</sup> Argentina and Brazil each desired to be the seat of the atomic institute. The Committee, rather than offend either, decided that the Inter-American Nuclear Energy Commission, whose creation it proposed, should settle the matter.<sup>31</sup>

The Committee's recommendations, made public in May, 1957, concentrated on activities "which the OAS should undertake or augment." But social, rather than economic, improvements predominated. It was as if the presidential representatives, realizing that any major changes were impossible, had decided to settle for more limited, but nevertheless useful, objectives.

In the social field, for example, a major recommendation was to support the Pan American Sanitary Organization in its program for the eradication of malaria in the Americas. Other suggestions were that the OAS scholarship program be enlarged, to offer 500 grants annually; that the OAS intensify its studies of food and nutrition; that the work of the Inter-American Institute of Agricultural Sciences at Turrialba, Costa Rica, be expanded; and that the Inter-American Housing and Planning Center in Bogotá be made a part of the regular program of the OAS.<sup>32</sup>

In economic affairs, the Committee proposed: (1) the creation of an "ad hoc" technical committee to assist in the preparation of "bankable" development projects; (2) periodic meetings of high officials dealing directly with economic development; (3) preparation of a plan for the completion of the inter-American highway through Panama;<sup>33</sup> (4) the removal of tax impediments to investment, and conclusion of tax-sparing agreements; and (5) the summoning of a committee of experts in 1958 to study measures that would reduce limitations on trade.<sup>34</sup>

The report, not unsurprisingly, did not attract a great deal of attention, either in the United States or in Latin America. It was obvious that the proposals would bring no really basic change in inter-American relationships. The major problems, financing and trade, had to be referred to later meetings. The OAS was left to find the money for carrying out the recommendations the committee did make.<sup>35</sup>



## III

Even as the ICPR prepared for its labors, and as the work itself proceeded, the issue of policy toward Latin America emerged more fully into the U.S. political arena. The foreign aid debates in Congress brought challenges to the Administration on Latin America, and Congress itself, to a limited degree, moved into the policy field.

The Democratic party, meeting in July to renominate Adlai Stevenson, adopted a platform plank promising to "restore the policy of the 'Good Neighbor,' which has been alternately neglected and abused by the Republican administration."<sup>36</sup> The platform also proposed a "multilateral approach" to strengthened programs of economic and technical assistance. A Democratic administration, it said, would seek to foster commodity agreements.<sup>37</sup>

Stevenson himself, in a September speech in Miami, charged that over the previous four years "we have fallen back rather than advanced" in relations with Latin America. As an example of "policy completely off the tracks," he said a member of the President's family//meaning Dr. Eisenhower//had "assumed special and informal responsibility for our relations with Argentina." More positively, he said, if elected he would "undertake the task of bringing together the economic hemisphere which we know exists from the trade figures."<sup>38</sup>

Secretary Dulles made a vehement defense of Dr. Eisenhower, saying the President's brother had performed

highly considered services and "at no time" had interfered with Department of State policies in Latin America.<sup>39</sup> Later, Dulles also said that since 1953, new loans to Latin America had aggregated \$1,085,000,000, or twice as much as in the preceding four years. Latin America's growth rate, he said, had been at an average rate of 5.5 per cent a year since World War II. Largely as a result of Dr. Eisenhower's 1953 recommendations, the Dulles statement said, "good will and confidence has been reestablished to a point which enabled the Government successfully to sponsor the momentous policy reflected in the Caracas resolution."<sup>40</sup>

The debate was reflected in heightened U.S. Congressional interest in Latin America. During the 1956 discussion of the Foreign Assistance Act, Senator George Smathers (D-Florida) prevailed upon the Senate to include a special amendment establishing a fund for economic development and social reform in Latin America. The Administration first said it would not use the monies authorized under the "Smathers amendment," but later relented and used them for a children's hospital in Costa Rica, waterworks in Panama, university assistance in Chile, and for the anti-malaria program later suggested by the ICPR.<sup>41</sup>

Further pressure on the Administration's Latin American policy came in two 1957 reports prepared for the Senate's Special Committee to Study the Foreign Aid Program. The first, by Ambassador David K. E. Bruce, dealt with the South American republics. The second, by James Minotto,

a former Mutual Security director in Portugal, concerned Mexico, Central America and the Caribbean.

Bruce's cautious and conservative report reiterated that private investment should continue to be the chief input for Latin American economic development. But "closely coordinated" loans from the Export-Import Bank, the World Bank, and monies from the sales of PL 480 commodities could supplement the private investments, he said. Bruce noted "some feeling" by South Americans that the United States had neglected them. His conclusion was that South American problems and affairs "are deserving of more time and attention on the part of our Government and our citizens."<sup>42</sup>

Minotto was more critical, reporting that "the United States is viewed as neglectful of its friends in the Western Hemisphere." He urged that "the United States be especially concerned with this feeling." Specifically, he recommended that economic assistance to Central America and the Caribbean be expanded, and that "the present policy of no development loans for emergency positions be less stringently enforced."<sup>43</sup>

On the day the Minotto report appeared, Secretary Dulles was asked in his news conference about the charge that the United States was neglecting Latin America. "Never before in history," he replied, "has the United States paid as much attention to its relations with the other republics of the OAS as has been the case in recent years."<sup>44</sup>

After consideration of such reports, and hearings, the Special Senate Committee recommended the continuance of the foreign aid program. Its approach, however, was on a global basis, and without especial reference to Latin America.<sup>45</sup>

With this kind of Congressional approval, the Administration in 1957 asked the establishment of a Development Loan Fund (DLF). The DLF originally was conceived as a revolving credit scheme which would provide capital for long-term development projects which did not qualify for support from existing financial institutions. In effect, this proposal weakened the contention that additional financial institutions were not needed. The Congress accepted the proposal and provided \$300 million as an initial appropriation for the DLF, limiting appropriations in succeeding years to \$625 million a year. President Eisenhower actually signed the measure into law on September 3, 1957.<sup>46</sup>

While the proposal was pending, however, IA-ECOSOC noted that only Asia and Africa had been mentioned as possible recipients for DLF credits. The Council asked its Committee on Economic Cooperation to look into the matter and determine whether Latin America would be eligible. On July 8, the Committee reported that the DLF monies would be available to all countries of the free world. The Council then expressed its "keen satisfaction" at the DLF proposal. It stressed its understanding that Latin America would have access "under equal conditions" to DLF. The

resolution also said that the Fund for the Basic Economic Development of Latin America ("Smathers amendment"), had been used for important projects, and indicated its pleasure at a report that the U.S. Senate was recommending continuation.<sup>47</sup>

In all of this, a reluctance by the Administration to give special consideration to Latin America is evident. A partial explanation may be that Latin America, as Secretary Dulles had pointed out in 1956, was enjoying a highly favorable growth rate. ECLA's figures showed that on a per capita basis, significant in view of a population increase of around three per cent a year, the Latin American gross product increased at an annual rate of 2.2 per cent between 1950 and 1955, declined slightly in 1956, but reached a level of 2.4 per cent in 1956-57. Gross income increased at a 2.2 per cent rate between 1950 and 1954; available goods and services grew at a 2.7 per cent rate, reaching five per cent in 1956-57; consumption increased at a 2.5 per cent annual level, and investment at 3.5 per cent, with an input of 9.8 per cent in 1956-57.<sup>48</sup> Compared with other developing regions, these were formidable figures.

In 1957-58, too, ECLA estimated the net inflow of capital into Latin America at \$1.6 billion, of which \$1 billion was in new U.S. private investment. Over the eight years, 1950-1958, the net foreign capital inflow, excluding reinvestment and repatriation, averaged \$766 million a year.<sup>49</sup> Although this was below the Quitandinha goal of

\$1 billion a year from the United States alone, it still was a substantial sum. Again, among the developing regions, Latin America seemed especially favored.

#### IV

Nevertheless, in the preparations for the Buenos Aires Economic Conference, Latin America sought to improve its position still further, in the light of what it considered its needs. The chief instrument was a draft, 11-chapter, 45-article Economic Agreement, prepared by IA-ECOSOC and sent to member governments for comment in early 1957. The bases for the draft were the economic declarations and agreements approved at Chapultepec and Bogotá, as well as subsequent resolutions.

Among other matters, the draft pledged cooperation in economic development; it called for encouragement of commodity agreements; it stipulated that foreign investments be made in obedience to national laws; and it encouraged the coordination of inter-American transportation and communication.<sup>50</sup> In essence, it contemplated a regional economic system.

Yet neither the United States, nor other of the American Republics, were then quite ready for so sweeping a treaty. IA-ECOSOC's Committee on Preparations reported on July 8, 1957, that it had received some very substantial suggestions for changes in the draft. These suggestions, from the United States and others, it said, disclosed a

"wide divergence of opinion." The full IA-ECOSOC, after discussion of the divergencies, decided that there was insufficient time before the Economic Conference to prepare a new draft. So it sent the original draft, with the comments, directly to the Conference.<sup>51</sup>

Despite this, there was an air of confidence as the Conference prepared to open. Dr. José A. Mora, Secretary General of the OAS, was quoted as saying that the prospects for an economic agreement were brighter than ever. The progress of the previous decade, he said, had provided the groundwork for an agreement.<sup>52</sup>

But the U.S. delegation, after its arrival, moved quietly to discourage such hopes. In a background interview, not for direct quotation, Assistant Secretary Roy R. Rubottom, Jr., told newsmen the United States hoped to profit from a frank exchange of views. He left the clear impression that, on major issues, the U.S. position was unchanged.<sup>53</sup> Treasury Secretary Robert B. Anderson, the head of the U.S. delegation, carried the same message in calls he made on the other chiefs of delegation.<sup>54</sup>

But as the round of formal speeches began, in the chilly halls of the Argentine Congress building, the Latin Americans urged more affirmative U.S. responses to their preoccupations. General Pedro E. Aramburu, Argentina's provisional president, said that a more effective economic union in the Western Hemisphere was needed to deter the growth of dictatorships. His Finance Minister, Adalberto

Krieger Vasena, called for "constructive audacity" to meet communism's challenge to free nations desiring economic development. Uruguay's Amilcar Vasconcelos and Mexico's Antonio Carrillo Flores each expressed continuing doubts about the value of private investment, implicitly arguing for a greater flow of public funds.<sup>55</sup>

Cuba's Gustavo Gutiérrez proposed common action by the Conference to meet the threat posed by the growing movement for a European Common Market. Even the formation of a Latin American common market, he said, would not give the Latin American nations a sufficient counterpoise to that massed economic weight. He urged the American states to join with the British Commonwealth to force modification of discriminatory proposals. Bolivia's Walter Guevara Arce urged an economic agreement that would offer "practical solutions" to the Hemisphere's problems.<sup>56</sup>

And so it went. "You gringos should not be thin-skinned about this. Down here we do all the shouting, but when we are in Washington, we do the listening," one Latin American delegate quipped.<sup>57</sup>

What emerged from the speeches of the Latin American delegations, besides a qualified liking for the economic agreement and an increased flow of public capital, was interest in the idea of the development of a Latin American common market. ECLA had prepared a study on the possibilities of such an arrangement, finding them good. And its representative at Buenos Aires, Dr. Adolfo Santa Cruz, told



the delegates that further studies were about ready, and that concrete proposals for action could soon be presented.<sup>58</sup> This was one of ECLA's very concrete contributions to inter-American economic life.

When his turn to speak came, on August 19, Secretary Anderson surprised the delegates by urging them to trim their military budgets.<sup>59</sup> Such a move, he said was necessary to guard against inflation. He did not go into great detail on the suggestion, nor was it followed by concrete action by the Conference. Nevertheless, the suggestions made headlines in military-conscious Latin America.

Elsewhere in the speech, Anderson declared that Latin America's economic problems could not be resolved by "some dramatic pronouncement at this or any other conference." Instead, he said, a program would come through patience, persistence and goodwill, and "the individual efforts of each people and their dedication to a program of work and saving and orderly management by their own government of economic affairs." He stressed the desirability of attracting private investment. But, as Secretary Humphrey had done at Quitandinha, he promised intensified participation by the U.S. Export-Import Bank for sound economic projects.<sup>60</sup>

Despite the prior warnings, the U.S. position was a disappointment to some Latin Americans. IA-ECOSOC Chairman Washington P. Bermudez of Uruguay, who followed Anderson on the speaker's platform, warned that the United States

"should make a serious effort to understand certain essential aspirations of Latin American countries." Failure to agree on an economic charter, after nine years of promises, he said, would mean that "the capacity of our peoples to suffer more deceits will be exhausted."<sup>61</sup>

So, although a flood of other draft resolutions poured in upon the secretariat, the Economic Agreement remained the focus of attention. The United States suggested substantial modifications. Cuba, Mexico, Brazil and Venezuela also proposed amendments. Other observations were made by Argentina, Bolivia, Colombia, Ecuador, Peru, Dominican Republic and Uruguay.<sup>62</sup>

The amendments and suggestions were so numerous that sub-committees were named to resolve the differences. Then, a revised draft was sent to the full committee, where article by article votes were taken. "No" votes mounted rapidly. It became apparent that the Economic Agreement would fall short of consensual approval, just as had been the case with the Economic Charter of Bogotá.<sup>63</sup>

In the final voting, the United States voted "no" nine times, Mexico abstained four times, Chile twice, and Uruguay, Paraguay and Peru, once each. But if sub-committee votes were included, the United States objected to 19 of the 45 articles in the draft agreement.<sup>64</sup> So the United States was blamed for its failure. The Latin American objections were minimized.<sup>65</sup>

Despite 12 years of almost continuous discussion,

the irreconcilable differences remained much the same as at Chapultepec and at Bogotá. The Latin American nations wanted much more vigorous governmental action to maintain prices for their commodities, and to increase their trade; the United States did not wish its government to assume so much responsibility. The Latin Americans wanted legal restrictions on private foreign investments; the United States felt that undue restrictions harmed the total climate for investment, and contradicted the objective of economic development.

In actual application of its attitude, the United States voted against an article calling for intensified efforts to correct excessive fluctuations in the prices of basic products. Similarly, it rejected an article calling, although with many qualifications, for international commodity agreements. It also objected to an article which would permit special trade agreements under specified circumstances. This last, it said, created "substantial new exceptions" to the unconditional most-favored-nation clause it had agreed to in other international treaties.<sup>66</sup>

On investment, the United States rejected an article expressing the primacy of national law over private foreign investments. This, it said, was contrary to international law. It also voted negatively on language permitting states to forbid the intervention of foreign investors in their internal legal affairs. Such a move was unnecessary and incompatible with the objective of seeking greater

investments, it declared. And it also opposed an article on "extra-continental investments," saying the language would limit its liberty to use its economic resources in areas outside Latin America.<sup>67</sup>

Mexico's four abstentions, by contrast, were blanket in nature. They came on the chapter on investments. The Mexican position was that it could not permit foreigners greater rights than national investors.<sup>68</sup>

In all of this, there was a marked sense of frustration. Each side, seemingly, despaired of further semantic juggling which would keep the issue of an economic agreement alive. There was a desire to finish with it, to leave the opposing positions in clear relief. A measure of the deterioration of inter-American economic relations was the clear recognition that a meeting of minds on a binding economic treaty was not, at least for the moment, possible. Yet because the idea had been discussed for so long, with so many Latin American hopes pinned to it, it could not be summarily dropped.

As the full shape of the disagreement emerged, with the conference approaching its close, Argentine Finance Minister Krieger Vasena, as the president of the conference, met with selected delegations to prepare an alternative statement. The group drafted a ten-point "Economic Declaration of Buenos Aires," which became the first part of the final act of the conference. Again, it was a generalized statement, expressing objectives, but making no commitments

on means. Specific points included consultation on basic products, increases in trade, measures to facilitate the exchange of capital, machinery, raw materials and technology, and an acceleration of economic development.<sup>69</sup>

This, however, did not fully dispose of the Economic Agreement. So an accompanying resolution noted that

in spite of the unity of aspirations and the high spirit of Pan American comprehension which existed during the course of the deliberations, unanimous accord had not been achieved on all the basic and substantial points.

Therefore, the resolution continued, study of an agreement should go forward, but by the OAS Council rather than IA-ECOSOC.<sup>70</sup> "We are being asked to carry the corpse back to Washington," a Costa Rican delegate remarked.<sup>71</sup>

Besides the "Economic Declaration," the Buenos Aires conference approved 42 other resolutions. Of these, the single most important was one requesting ECLA to continue its studies "tending toward the creation of a regional Latin American market."<sup>72</sup> Ultimately, the studies resulted in the Treaty of Montevideo, the basis for a Latin American Common Market.

Another resolution directed IA-ECOSOC to continue studies on the possibility of creating an inter-American credit institution, as the Quitandinha conference had ordered.<sup>73</sup> The United States, which had abstained at Quitandinha, approved the resolution. After almost a year of inactivity, it later used the resolution to set in motion the plans for the Inter-American Development Bank.

Still other resolutions asked: (1) international credit institutions to give attention to plans for the financing of agrarian reform; (2) the preparation of a model treaty to avoid double taxation; and (3) the holding of periodic inter-American economic conferences.<sup>74</sup> But these, as the remaining others, tended to be pro forma resolutions--the spirit had gone out of the Conference.

The Final Act was signed on September 4, 1957, rather quietly, since most of the finance ministers had already departed.

## V

The effects of the conference immediately became a matter of controversy.

IA-ECOSOC Chairman Bermudez charged that the "negative attitude" of the United States had destroyed the economic treaty. The final act, he said, deprecatingly, had only added "ten per cent more" to the anthology of resolutions approved by inter-American conferences.<sup>75</sup>

Ezequiel Padilla of Mexico remarked: "When the question of actually constructing a unified continental economic system comes to the fore, the Pan American spirit seems to fade away."<sup>76</sup>

El Tiempo of Bogotá commented that the Economic Declaration of Buenos Aires repeated "all those obvious things on which we agree and for which international conferences need not be held."<sup>77</sup>

But Deputy Under Secretary of State Douglas Dillon, who had presided over the U.S. delegation after Anderson's early departure, told a Buenos Aires news conference that the United States was "highly gratified at the constructive results" of the meeting. "We have ended," he said, "by reaching a measure of agreement hitherto unprecedented in our inter-American economic conferences. . . . We have added here at Buenos Aires another important block to the great Pan American edifice."<sup>78</sup>

President Eisenhower, the following day, lauded the Economic Declaration as "an outstanding statement of the principles and objectives of inter-American economic co-operation . . . another development of which the Organization of American States can justly be proud."<sup>79</sup>

Secretary Dulles, on September 10, also termed the conference a "considerable success." But, he said, it would not involve any major reorientation of U.S. economic policy in Latin America, such as participation in a common market. He added:

The United States has some ties with so many countries in the world that it is very difficult for us to work out a special relationship with any group, however important that group is. I think therefore that the impact of the conference will be more in terms of a greater concern for the interests of these countries in maintaining a reasonable and fair market in the United States rather than a basic change of attitude.<sup>80</sup>

He only confirmed what already was evident: The war-time hope for an economic complement to political Pan-Americanism had not prospered.

## VI

The long-delayed Inter-American Economic Conference, of course, was a failure. But even so, it did not mark the end of efforts to find a greater measure of economic agreement within the Americas. In the wake of its failure, the U.S. Department of State undertook another of its periodic reviews of Latin American policy. One result of this review was a decision to ask then Vice President Richard M. Nixon to undertake a tour of South America. The incidents on that tour in May, 1958, particularly in Caracas, awakened greater U.S. public and political interest in Latin America.

Within two weeks after the Nixon trip, Brazilian President Juscelino Kubitschek, taking advantage of this new interest, proposed his "Operation Pan America." This urged still more intense joint efforts for speeding the economic development of Latin America, and was based on the premise of substantial U.S. assistance. After an informal meeting of American foreign ministers in Washington, it was agreed to form a special group, within the Organization of American States, called the "Special Committee to Consider New Measures for Economic Cooperation," but known more familiarly as the "Committee of 21." Like the Inter-American Committee of Presidential Representatives, it was composed of special delegates.

But even before the "21" held their first period of sessions in Washington, the United States decided to proceed



with the drafting of plans for an inter-American bank, and to support a new coffee agreement. In the Washington meetings, therefore, the United States remained cool to proposals for more massive direct U.S. public assistance for development. It maintained this position in a second period of sessions in Buenos Aires in May, 1959.

The worsening of relations with Cuba, however, brought still more political pressure on the United States to strengthen Latin America against the "menace" of Castroism. An expanded loan program, which could be tied to greater self-help efforts in Latin America, especially in the social field, was developed.

This latter decision was announced by President Eisenhower in his "Declaration of Newport" in August, 1960. It came just before a meeting of consultation of foreign ministers at which censure of Cuba was contemplated. The details were worked out in the third period of sessions of the "Committee of 21" in Bogotá. That meeting concluded with the signing of the "Act of Bogotá." Under it, with the promise of an amplified U.S. loan program, the Latin American nations promised greater reform efforts in land distribution, taxation, education, housing and health.

The "Act of Bogotá," in turn, formed the backbone of President John F. Kennedy's "Alliance for Progress." He noted his plans in his inaugural address, and outlined them more fully in March, for Latin American ambassadors gathered at the White House. After a delay prompted by

the repercussions of the "Bay of Pigs" expedition, the finance ministers of the American republics met in Uruguay in August, 1961, and there signed the "Charter of Punta del Este," establishing an Alliance for Progress.

To a considerable degree, the Charter of Punta del Este answered the Latin American desire for a long-term commitment by the United States to support hemispheric economic development. It set specific targets for growth, and mentioned that the United States would supply \$10 billion in public and private investment over the following ten years. Although not in treaty form, the Charter carried the idea of a special relationship with the United States. It endorsed many long-standing Latin American aspirations.

The Charter of Punta del Este was the true culmination of the long wrangling over the "lost" conference. But in the wrangling process, the "Western Hemisphere idea" suffered major damage. By that, both the United States and Latin America were losers.

## FOOTNOTES

### CHAPTER 9

<sup>1</sup>See Thomas F. McGann, Argentina: The Divided Land (Princeton, N.J.: Van Nostrand Co., 1966), pp. 55-56; George Pendle, Argentina (London: Royal Institute of International Affairs, 1955), pp. 108-118.

<sup>2</sup>Pan American Union, Annals of the Organization of American States (Vol. VIII, No. 1), 1956, p. 109; Annals (Vol. VII, No. 2), 1955, pp. 94-111; Annals (Vol. VII, No. 3), 1955, p. 171.

<sup>3</sup>Julio Broide, Banco Interamericano de Desarrollo (Washington: Banco Interamericano de Desarrollo, 1960), p. 74 et. seq.; Annals (Vol. VII, No. 3), 1955, pp. 190-191.

<sup>4</sup>Annals of the OAS (Vol. IX, No. 1), 1957, p. 12.

<sup>5</sup>Ibid.

<sup>6</sup>Broide, Banco Interamericano de Desarrollo, p. 89; Annals of the OAS (Vol. VII, No. 3), 1955, pp. 190-191.

<sup>7</sup>Annals of the OAS (Vol. VIII, No. 1), 1956, p. 111.

<sup>8</sup>Personal recollection.

<sup>9</sup>Annals of the OAS (Vol. VIII, No. 1), 1956, p. 109.

<sup>10</sup>Annals of the OAS (Vol. VIII, No. 4), 1956, pp. 302-303.

<sup>11</sup>Annals of the OAS (Vol. VIII, No. 2), 1956, pp. 192-194.

<sup>12</sup>Milton S. Eisenhower, The Wine Is Bitter (New York: Doubleday & Co., 1963), p. 204.

<sup>13</sup>"Berle Criticizes U.S. Policy," New York Times, April 8, 1956, p. 27.

<sup>14</sup>"Latin Nationalisms Challenge Policy of U.S., Survey Indicates," New York Times, April 13, 1956, p. 6.

<sup>15</sup>"Latin Envoys at U.N. Complain of U.S. Neglect in Foreign Aid," New York Times, April 3, 1956, p. 45.

<sup>16</sup>An example of this is Senate Resolution 285, passed on July 11, 1956, creating a Special Committee to Study the Foreign Aid Program.

<sup>17</sup>See Richard P. Stebbins, United States in World Affairs, 1956 (New York: Harper and Co., 1958), pp. 231-232.

<sup>18</sup>Pan American Union, Organization of American States, 1954-1959 (Washington: Pan American Union, 1959), p. 161.

<sup>19</sup>"U.S. Plans Revision of Policy to Increase Hemisphere Accord," New York Times, July 24, 1956, p. 1.

<sup>20</sup>"Economic Unity Taxes Americas," New York Times, July 25, 1956, p. 9.

<sup>21</sup>"Eisenhower Talks with 10 Leaders," New York Times, July 26, 1956, p. 3; Eisenhower, The Wine Is Bitter, pp. 202-203.

<sup>22</sup>Pan American Union, Annual Report of the Secretary-General, 1956-1957 (Washington: Pan American Union, 1958), p. 21.

<sup>23</sup>PAU, OAS 1954-1959, p. 33; Annals of the OAS (Vol. VIII, No. 4), 1956, p. 267.

<sup>24</sup>Paul E. Zimmer, ed., Documents on American Foreign Relations 1956 (New York: Harper & Bros., 1957), p. 430.

<sup>25</sup>As an example, Nicaragua's Guillermo Sevilla Sacasa, Ambassador both to the United States and to the OAS, also served as Nicaragua's presidential representative.

<sup>26</sup>"Argentina to Get \$100 Million Loan to Build Economy," New York Times, Sept. 18, 1956, pp. 1 and 50.

<sup>27</sup>White House Press Release, Sept. 17, 1956 (unnumbered).

<sup>28</sup>"Communiqué for Press," (from ICPR), Sept. 19, 1956 (Mimeo).

<sup>29</sup>Ibid.

<sup>30</sup>Eisenhower, The Wine Is Bitter, p. 207.

<sup>31</sup>Annals of the OAS (Vol. IX, No. 2), 1957, p. 175 (Recommendation 24).

<sup>32</sup>Annals of the OAS (Vol. IX, No. 2), 1957, pp. 167-178 (Recommendations 15, 22, 17, 1, 18).

<sup>33</sup>Vice President Nixon, during a tour of Central America and the Caribbean in early 1955, recommended the immediate completion of the highway to Panama. After a special message from President Eisenhower, the Congress authorized \$62 million for that purpose. South of Panama City to Colombia, through the Darien peninsula, however, there still was no road and even a route had not been chosen.

<sup>34</sup>Annals of the OAS (Vol. IX, No. 2), 1957, pp. 167-178 (Recommendations 8, 6, 9, 5, 14).

<sup>35</sup>Ibid., p. 167.

<sup>36</sup>Associated Press Dispatch, Washington, D.C., Aug. 16, 1956 (author's file copy).

<sup>37</sup>Ibid.

<sup>38</sup>"Texts of Stevenson's Integration Statement and Addresses of New Orleans and Miami," New York Times, Sept. 26, 1956.

<sup>39</sup>"Dulles Defends Dr. Eisenhower," New York Times, Sept. 27, 1956, p. 30.

<sup>40</sup>"Text of Dulles' Report on Dr. Eisenhower," New York Times, Sept. 30, 1956, p. 60.

<sup>41</sup>R. Harrison Wagner, United States Policy Toward Latin America (Stanford: Stanford University Press, 1970), p. 101.

<sup>42</sup>U.S., Senate, Special Committee to Study the Foreign Aid Program, 85th Cong., 1st Sess., "South America (Peru, Chile, Argentina, Uruguay, and Brazil), Report on U.S. Foreign Assistance Programs, Prepared by Former Ambassador David K. E. Bruce," (Survey No. 3) (Washington: Government Printing Office, 1957), pp. 1-2; "Report Asks Rise in Aid to Americas," New York Times, March 4, 1957, p. 10.

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<sup>44</sup>"Official State Department Record of News Conference Held by Secretary Dulles," New York Times, March 27, 1957, p. 12.

<sup>45</sup>See U.S., Senate, 85th Cong., 1st Sess., Senate Report 300, "Foreign Aid: Report of the Special Committee to Study the Foreign Aid Program, Pursuant to S. Res. 285, 84th Cong., and S. Res. 35, 85th Cong." (Washington: Government Printing Office, 1957).

<sup>46</sup>Stebbins, United States in World Affairs, 1957, p. 67.

<sup>47</sup>Annals (Vol. IX, No. 3), 1957, p. 196 (Res. 17/57).

<sup>48</sup>United Nations, Economic Commission for Latin America, Economic Survey of Latin America, 1957 (E/CN. 12/489 Rev. 1) (New York: Department of Economic and Social Affairs, 1959), p. 83 (Table 76: "Latin America: Per Capita Growth Rates").

<sup>49</sup>Ibid., p. 52 (Table 53: "Net Inflow of Capital, 1947-1957").

<sup>50</sup>Union Panamericana, Consejo de la Organización de los Estados Americanos, "Informe de la Comisión Especial por el Estudio del Proyecto de Convenio Económico General Interamericano," (C-i-446), 10 December 1959 (Washington: Union Panamericana, 1959), "Annexo B," pp. 12-28.

<sup>51</sup>Annals (Vol. IX, No. 3), 1957, pp. 205-206.

<sup>52</sup>"Prospects Advanced for Economic Accord," New York Times, Aug. 17, 1957, p. 3.

<sup>53</sup>Personal recollection.

<sup>54</sup>This was termed "applying the Cordell Hull touch," but was appreciated. See "U.S. to be Target in Latin Talks," New York Times, Aug. 18, 1957, p. 9.

<sup>55</sup>"Northern Brothers Need to Study L.A.'s Moods and Natures," Buenos Aires Herald, Aug. 17, 1957, p. 9.

<sup>56</sup>"Regional Market Hopes Raised," Buenos Aires Herald, Aug. 21, 1957.

<sup>57</sup>"U.S. Is Target for Latin States," New York Times, Aug. 25, 1957, IV, p. 4.

<sup>58</sup>"Regional Market Hopes Raised," Buenos Aires Herald, Aug. 21, 1957.

<sup>59</sup>"Secretary Anderson Answers Critics," Buenos Aires Herald, Aug. 20, 1957, p. 1.

<sup>60</sup>Ibid.; "Hemisphere Bank Ruled Out," New York Times, Aug. 20, 1957, p. 6.

<sup>61</sup>"Bermudez Attacks," Buenos Aires Herald, Aug. 20, 1957, p. 1; "Hemisphere Bank Ruled Out," New York Times, Aug. 20, 1957, p. 6.

<sup>62</sup>UPA, "Informe de la Comisión Especial," p. 38.

<sup>63</sup>"Conference Keystone May Be Dropped," Buenos Aires Herald, Aug. 19, 1957, p. 9; "Economic Charter Perishes," Buenos Aires Herald, Sept. 1, 1957, p. 1.

<sup>64</sup>UPA, "Informe de la Comisión Especial," p. 38.

<sup>65</sup>"Sour Taste in America," Buenos Aires Herald, Sept. 2, 1957, p. 5.

<sup>66</sup>UPA, "Informe de la Comisión Especial," pp. 18-19 (Articles 13, 17, 15), and pp. 30-31 (Explanation of Votes).

<sup>67</sup>Ibid., pp. 20-21 (Articles 22, 28 and 29), and pp. 30-31 (Explanation of Votes).

<sup>68</sup>Ibid., pp. 21-22 (Articles 26, 27, 28, and 30), and pp. 30-31 (Explanation of Votes).

<sup>69</sup>"Acta Final de la Conferencia Económica de la Organización de los Estados Americanos, Buenos Aires, Republica Argentina, 15 de agosto-4 de septiembre, 1957" (Mimeo), pp. 29-30.

<sup>70</sup>"Acta Final," p. 31.

<sup>71</sup>"Sour Taste in America," Buenos Aires Herald, Sept. 2, p. 5.

<sup>72</sup>"Acta Final," p. 86 (Resolution XL).

<sup>73</sup>Ibid., pp. 56-58 (Resolution XVIII).

<sup>74</sup>Ibid., p. 44 (Resolution X); pp. 44-45 (Resolution XI); p. 54 (Resolution XVII); and pp. 67-68 (Resolution XXVI).

<sup>75</sup>"Economic Charter Perishes," Buenos Aires Herald, Sept. 1, 1957, p. 1.

<sup>76</sup>"Hemisphere Economics," New York Times, Sept. 8, 1957, IV, p. 2.

<sup>77</sup>Ibid.

<sup>78</sup>"Inter-American Talks 'Highly Gratify' U.S.,"  
Washington Post, Sept. 4, 1957, p. 3.

<sup>79</sup>"Eisenhower Hails Americas Accord," New York Times,  
Sept. 5, 1957, p. 13.

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## CHAPTER TEN

### A BALANCE OF BLAME?

An essential feature of inter-American relations between the years 1945 and 1957 was the Latin American desire for a special economic relationship with the United States. That desire carried with it the implication of cooperation by the United States in raising Latin American living standards. Over the years 1945-1957, the demand for this cooperation increasingly centered on the supply of public funds for development, and the stabilization of the prices of raw materials. The inter-American economic conference constituted a forum for the expression of that desire.

The United States found itself unable to accept this special economic relationship, even as a counterpart to a long-established political relationship. The principal reason lay in the prevailing assumption of U.S. commercial policy: that free trade best served the long range interests of the United States. This assumption was expressed in the 1934 Reciprocal Trade Agreements Act, and through extensive use of the most-favored-nation clause.

The close of World War II found the United States firmly committed to the principle of freer trade. It sought to use its new leverage, as the world's leading industrial

power, to discourage the reappearance of special trading blocs. Because of this overall policy, it felt unable to respond to the Latin American desire for a special and more favorable economic relationship. It could not, while supporting proposals for an International Trade Organization in Havana, or while pressuring the British on the system of Commonwealth preferences, establish regional preferences of its own with Latin America.

A further impediment to the establishment of a special inter-American economic relationship was Latin America's own rising economic nationalism. This impeded the easy or quick negotiation of agreements with the United States.

For one thing, Latin America wanted its own industries, under its own control. These had grown during the 1920's and during World War II. Still further growth was in prospect if such infant industries, producing at high costs for limited markets, did not have to compete with foreign imports, produced for mass markets. The Latin Americans insisted on tariff protection for their industries. At the same time, they demanded improved access for their own products, essentially raw materials, in other markets. On this basis, the prospects for full reciprocity between the United States and Latin America, were limited.

Secondly, the heady economic nationalism also expressed itself in a resentment of foreign investment. Before 1900, foreign investment had been greatly desired. But after the turn of the century, it had become increasingly

suspect. The reason was political intervention in support of such investment. During the 1920's, the United States was both the principal foreign investor and the principal intervener. So the rising suspicion and resentment focused on the North American investor. It may be that he reaped more than his own due share of such opprobrium.

There also were some very acute differences in the Anglo-Saxon and Hispanic view of the state which made economic agreement difficult. In England and colonial North America, the powers of the king had been gravely attenuated. By this, and by the nature of the revolutionary process itself, the government of the United States followed the concept that the people were the source of power. The government had only rights which were granted by the people.

In the Hispanic tradition, on the other hand, the prerogatives of the monarch had been much stronger. The Spanish American revolutionaries took his powers in the name of the people, but in practice, they remained with the state. The Latin American peoples looked to the state to do more for them than did North Americans.

So, although the Latin American governments, generally and illogically, were modelled on that of the United States, they operated quite differently. They had a greater scope for action in the economic field than did the United States. They were more accustomed to state activities, to state controls, to state enterprises. The people of the United States, on the other hand, professed to shun the

idea of state controls and state-directed businesses. Such practices were held to be "socialistic" and in violation of the ideal of private enterprise. So, in economic discussions, Latin America and the United States started from differing bases.

There were, then, major differences which inhibited the development of a common economic policy.

## II

But the post World War II difficulties in inter-American relations, arising around the economic issue, also are attributable to other acts, both of omission and commission, by the United States.

Most importantly, perhaps, was the lack, after the death of President Franklin D. Roosevelt, of any high level official with an abiding interest in Latin America. Roosevelt, in his curious mixture of dilettantism and practicality, was concerned about the region. Under Secretary of State Sumner Welles, although he dealt with all areas of the world, felt Latin America closest to his heart. Like Roosevelt, he was highly sensitive to the unique position Latin America for so long had occupied in U.S. foreign relations.

After the war, the restructuring of the Department of State interposed a whole new layer of officials between the president and the men dealing directly with Latin American affairs. The presidents themselves, Truman and

Eisenhower, were well-disposed toward Latin America but had little personal background upon which to draw. Necessarily, they had to rely upon their Secretaries of State.

In this group, Stettinius, Byrnes, Marshall, Acheson and Dulles, no one stands out as especially alert to the relationships between the United States and Latin America. Marshall did reverse the policy which had led to delays in convoking the 1947 Rio Conference, but this move was in the context of the global "Cold War" struggle, rather than of special interest in Latin America. Acheson was little concerned about the region, regarding it as peripheral to U.S. interests in Europe and Asia. Dulles, while professing concern about Latin America, allowed his preoccupation with the containment of communism to weaken even the well-established political relationship with the area.

In effect, then, the responsibility for the maintenance of sound relations between the United States and Latin America rested upon the Assistant Secretaries of State for Inter-American Affairs. Those who occupied the post, 1945-1957, included Nelson A. Rockefeller, Spruille Braden, Norman Armour, Edward G. Miller, Jr., John Moors Cabot, Henry F. Holland, and Roy R. Rubottom, Jr. Their chief responsibilities, as contrasted with the pre-war era, tended to be in the political field, rather than with the total complex of relations.

Rockefeller, who shared Welles' concern for Latin America, had worked hard to secure good U.S.-Latin American

relations during World War II. He helped preserve the inter-American system from complete submergence in the United Nations. But his war-time activities also contributed to the Latin American desire for a special relationship with the United States, and the belief that such a relationship had a "cash value." His successor, Braden, was a disaster. He was overwhelmingly identified with a policy of political intervention, and, in his preoccupation with "free" enterprise, insensitive to the new currents in Latin America.

Armour was responsible for Latin America along with other duties. While conscientious in applying the policies of his time, he took no new initiatives. Miller, a Puerto-Rican-born attorney, showed himself a firm administrator with a solid grasp of the implications of Latin American policy, but followed the "Acheson line" too closely to have made any major imprint.

John Moors Cabot, Eisenhower's first Assistant Secretary for Inter-American Affairs, almost uniquely shared Welles' vision of a greater America. Unfortunately, his career service abroad did not equip him for the political infighting needed to put, and maintain, his case before Dulles, Treasury Secretary George M. Humphrey, and the President. His successor, Henry F. Holland, was more willing to go along with Humphrey. On his initiative, the Inter-American Committee of Presidential Representatives made a limited and rather futile effort to let some new

light into inter-American relations. Roy R. Rubottom, who succeeded him, was only an acting assistant secretary during 1956 and much of 1957.

During the Eisenhower Administrations, however, much of the responsibility for initiatives respecting Latin America rested with Dr. Milton S. Eisenhower. Although perceptive, knowledgeable and affable, he unfortunately chose for himself a restricted role. He subordinated his own progressive views to those of the federal bureaucracy, at a time when outside imagination appeared vitally necessary.

In short, even aside from the new pressures on the United States as a leader of the post-war world, concern for Latin American relations declined. There was a lack of interest at the top, and those at the middle levels of government who were most involved with Latin American policy lacked the inclination or backing to present and maintain their views at the decision-making levels.

### III

There were four specific areas where the United States exhibited considerable ambivalence in economic policy toward Latin America in the war and post-war years. These were support for a multilateral economic body, commodity arrangements, financing of economic development, and tariffs. In each, the positions taken, and policies pursued, were less than forthright or consistent.

The Inter-American Financial and Economic Advisory

Committee (IAFEAC), certainly, was highly praised at the time of its existence. But its record, in review, seems woefully thin. In part, its weakness was due to the fact that it was modelled on the Inter-American High Commission, which was dominated by the United States. In part, too, it was eclipsed by the Office of the Coordinator of Inter-American Affairs, unilaterally conceived and operated.

With the creation of the Inter-American Economic and Social Council (IA-ECOSOC), the U.S. position became still more ambiguous. Over the next 12 years, the United States consistently assigned to IA-ECOSOC men of the highest caliber--Assistant Secretaries Will Clayton and Willard Thorp, and Ambassadors Albert Nufer, Merwin L. Bohan and Harold Randall. It also, generally, supported the almost annual proposals to "strengthen" IA-ECOSOC. But it never took the initiative to assure IA-ECOSOC an adequate staff, clear policy lines, and authority to function as a strong policy-making body. Only the United States could have made IA-ECOSOC "go." But it refused to do so, perhaps because of the very evident Latin American disinterest in the body. Its support, such as it was, latterly aimed at keeping IA-ECOSOC operating as a counter-balance to the Economic Commission for Latin America (ECLA).

On commodity policy, the generally negative U.S. position in the post-war era was weakened by its 1940-47 participation in the Inter-American Coffee Agreement. After the war, it also participated, in varying degrees, in



international agreements on wheat, tin, and sugar. Again, during the Korean War, it led in establishing the International Materials Conference. So the United States could hardly maintain that it was against the general principle of commodity arrangements. When its convenience, or its national interest, was suited, the United States did participate.

The strategy which evolved was to attach carefully stipulated conditions to participation in commodity agreements. In general, these were that a "burdensome surplus" existed, causing serious hardship to producers; and that there was widespread unemployment or under-employment which could not be resolved by normal market forces. Neither of these two conditions, usually, applied to the products whose prices Latin America sought to stabilize, preferably at the highest possible levels. This strategy permitted the United States to engage in lengthy studies, while short-range problems solved themselves.

On the financing of Latin American economic development, the U.S. position slowly eroded. Basically, the United States held that economic development could come swiftest and best through private investment. The emphasis was on national investment, although it was recognized that foreign funds could supply a vital margin. Yet, for political reasons, the United States never categorically closed the door on the possibility of public financing.

At Chapultepec, economic development assistance was

not an issue. There was expectation that the contemplated International Bank for Reconstruction and Development would assist Latin America's growth. But the slowness of the Bank in getting started, and its early concern with reconstruction rather than development, turned Latin America toward the United States. The Marshall Plan, when it emerged, accelerated the Latin American desire for public help from the United States. In retrospect, the United States blundered by not involving Latin America more deeply in the Marshall plan, both as a contributor and as a recipient.

The "Point Four" program was a relatively inexpensive substitute for more massive development assistance. Nevertheless, it was exceptionally well-received. This meant that Latin American requests for further assistance could be countered with offers to expand the technical assistance program. In the case of Brazil, this also involved help to prepare definite projects for later financing, and an implicit indication that the financing itself would be provided.

Throughout the period, however, the United States, with some justice, could maintain that both the World Bank and the Export-Import Bank had funds available for soundly prepared projects. While true, this position tended to disregard the conditions under which the two banks would advance credits: under government guarantee, and for foreign exchange requirements only.

The need for an additional credit source, which could

make loans on a less restrictive basis, was recognized in the 1953 movement toward the creation of the International Finance Corporation (IFC), as a World Bank affiliate. And, although the idea of a bank which could make "soft" loans was rejected by the United States at Quitandinha in 1954, it later was accepted in the creation of the U.S. Development Loan Fund. Consistently, too, the United States moved to liberalize and expand the activities of the Export-Import Bank.

On tariffs, as Secretary of the Treasury Humphrey pointed out at Quitandinha, U.S. treatment of Latin American products was extremely favorable. Two-thirds of the items in U.S.-Latin American trade entered the United States free. Duties on the remaining third were generally low. But this begged the question of administrative and sanitary restrictions. It also avoided the politically devastating issue of quotas, such as that proposed for Venezuelan oil, or U.S. "punitive" requirements, as the countervailing duty on wool "tops" from Uruguay. U.S. tariff treatment of Latin American products was favorable, except when they competed with U.S. production.

#### IV

The ambiguities in the positions taken by Latin American nations, over the period 1945-1957, are even more numerous. Only rarely, as in the case of coffee, was there anything resembling a common Latin American front.

Nevertheless, there were seven Latin American attitudes which, if not equivocal, at least were inconsistent. These concerned war-time cooperation, war-time reserves, fixed price ratios, demands for an inter-American bank, the preparation of development projects, attitude toward private investment, and support for IA-ECOSOC.

The keystone of the Latin American demand for a special economic relationship with the United States was the cooperation given the United States during World War II. Such cooperation included the use of armed forces and bases, but generally was through the supply of strategic materials. The facts are undeniable: Latin America helped in the conduct of and the winning of World War II. Yet the ultimate victory of the Allies was in Latin America's own interest. Neither the Germans nor the Japanese had demonstrated economic nor political respect for nations which fell within their sway. An Axis victory would have forced drastic alterations in Latin America's economic and political patterns. As it was, Latin America's cooperation with the Allies, and the United States in particular, did serve to maintain its markets and build up its exchange reserves. It suffered from the war, but it also benefited from the Allied victory.

The exchange reserves Latin America accrued during the conflict, as a result of an inability to purchase the manufactured goods to which the region was accustomed, became an issue in U.S.-Latin American relations. The Latin

Americans complained that these reserves would buy only two-thirds as much as they might have if the materials they wanted had been available during the war. They also lamented the squandering of the reserves on luxury items, although this, by and large, was within their own control. The complaints about prices disregarded the fact that the post-war inflation affected all but a handful of nations. So Latin American requests to the United States, for stable monetary values, represented a benefit the United States could not obtain for itself, or for its other allies, even through the International Monetary Fund.

In part, the instability of monetary values led to the Latin American demand for the establishment of a ratio between the prices of manufactured goods and the prices of raw materials. Almost as a corollary, the Latin Americans wanted that ratio to be more favorable to the producers of raw materials. The theory of Raúl Prebisch, that the terms of trade moved consistently against the developing nations, reinforced the demand. Yet no practicable plan for achieving the end was ever devised. It would have had to have been on a global, rather than regional scale. Yet the variety of world economic and political systems worked against its study and development. The Latin American desire for such a breakthrough in the period 1945-1957 must be deemed unrealistic.

Persistent Latin American calls, over the same period, for the creation of an inter-American bank were weakened

by a lack of unanimity among the Latin American nations themselves. In 1940, when the idea was proposed, and actual statutes prepared, only eight nations besides the United States indicated that they would be willing to participate. When the idea was revived in 1955, and a revised proposal circulated, only nine of the 20 possible Latin American members said they would support the plan. The conclusion is inescapable that Latin America wanted a bank of its own--if the United States would provide the leadership and the bulk of the funds.

A fifth ambiguity was that Latin America's equally persistent pleas for public funds for development only occasionally were supported by specific development projects. Few of the countries could provide detailed plans for development spending. At Bogotá, Quitandinha and Buenos Aires, the United States pointed out that both the World Bank and the Export-Import Bank had substantial funds available for well-prepared projects. But such projects were forthcoming only in limited numbers.

Various proposals were made to correct the situation. At Bogotá, Venezuela's Romulo Betancourt proposed that the Latin American nations estimate their needs and resources, as the European nations had done in preparing for Marshall plan assistance. But the proposal dropped, without effect. ECLA in 1954 strongly urged the need for national plans for economic development, both short-range and long-range. But only a handful of nations had started such a planning process

by 1957. The Inter-American Committee of Presidential Representatives suggested the creation of a group of experts to help prepare "bankable" projects--but no requests for such assistance were received. So, although Latin America's need for capital, and its ability to absorb it were unquestioned, there certainly was lethargy, and even resistance, to the idea of spelling out specific needs.

On a sixth issue, private investment, the Latin American attitude also was highly ambivalent. There was agreement that private investment, and private foreign investment, had a substantial role to play in economic development. In a whole series of resolutions from 1945 through 1957, Latin America concurred with the opinion of the United States. The crucial question concerned the rights of the private foreign investor. The United States sought to give him greater protection under international law. The Latin American nations, Mexico in particular, would not or could not admit that the foreign investor had more rights than a national investor, or rights beyond national laws.

The issue now seems more theoretical than actual. Over the 12-year period, 1945-1957, U.S. investment in Latin America grew by almost \$5 billion. This indicates that some governments and some investors were more concerned with practice than with theory. They reached agreements which brought money, machines and skills into Latin America. In a very large sense, however, it is possible that the notoriety given the recurring debates over expropriation

served to deter some investors from favoring Latin America. It also is possible that the reluctance of the Latin American nations to negotiate favorable tax-sparing treaties with the United States further limited the total potential flow of capital from the United States. In any event, the issue of investment was the most abrasive of the entire period.

A final serious flaw in Latin America's policy over the period 1945-1957 was its neglect of and even disinterest in the Inter-American Economic and Social Council. Latin America led in the creation and expansion of a rival body, the United Nations' Economic Commission for Latin America (ECLA). Latin America, perhaps naturally, was suspicious of IA-ECOSOC as unduly subject to U.S. influence. In ECLA, it found an entity closer to its own thinking. It was not that ECLA Executive Secretary Raúl Prebisch, either personally or in his celebrated thesis, was anti-American. It was just that his thesis was well suited to the already considerable forces of economic nationalism and anti-Americanism. Further, because ECLA posited a deus ex machina theory of economic development--that "forces" impeded progress--it provided a convenient excuse for not making the needed reform efforts which would have brought swifter growth.

If Latin America had really wanted swift economic progress in the post-war era, it should have recognized that the United States was its chief source of foreign



capital, and sought to encourage it. It could have accepted the natural, although disagreeable, fact that the United States would respond more positively to recommendations from a body with which it had some experience and confidence. ECLA did not meet those criteria; IA-ECOSOC did. The clearly indicated tactic for Latin America, then, was to strengthen IA-ECOSOC, to make it more than a reflector of U.S. policy, and turn it to Latin America's advantage.

Instead, the Latin American nations generally sent secondary figures to IA-ECOSOC. Its budgets were restricted, yet it was given massive amounts of work, far beyond its capacity to perform properly. ECLA, without IA-ECOSOC's budgetary and institutional restrictions, fared better, and prospered in Latin American admiration. Its work stimulated the creation of national planning bodies, and it produced an impressive body of economic data. Its studies also led the way to the Latin American Common Market, and the creation of a new sense of Latin American unity. But ECLA, in retrospect, was more concerned with interpretation than with facts. It sought to present a point of view, rather than truly objective data from which differing interpretations could be drawn.

## V

In the largest sense, however, it is difficult to strike a balance of blame for the post-war failure to establish a firmer base for inter-American economic relations.

The concept clashed with ascendant nationalisms on one side, and with a new-found globalism on the other. On each side, there was an over-estimation of what one meant to the other, and an under-estimation of the institutional and ideological differences, especially affecting the relatively new field of planned economic development.

Despite such differences, an initially limited form of economic association, for which there was a solid base in the inter-American system, could have served to broaden the areas of understanding. Unfortunately, Latin America wanted too much too soon, and the United States preferred the continuance of a conventional system in which it dominated, with unilateral freedom of action. The instruments indicated for the resolution of the differences, IA-ECOSOC and the economic conference, proved themselves inadequate for the task.

Nevertheless, a view that the United States' response to Latin American aspirations was completely negative, and that Latin America consequently stood still, over the period 1945-1957, wilts under examination. In a variety of ways, some of them unprecedented before World War II, the United States moved to assist Latin American growth and development. The post-war years, too, were prosperous ones for Latin America.

In public credits, over the 12 years, total U.S. economic aid actually disbursed in Latin America exceeded \$2 billion. This is small when compared with the global

total of around \$50 billion, and, in fact, is the strongest point in the Latin American argument of U.S. "neglect." But it is only in comparison that the figure appears small. By pre-war standards, it is impressive, both in quantity and in terms.

Over the 12 years, too, the \$5 billion which was added to the book value of U.S. direct investments in Latin America, amounted to around 30 per cent of all new U.S. post-war foreign investment. The total was exceeded only by the figures for Canada and Western Europe. A more co-operative attitude, even with restrictions, could have increased the totals.

Trade between the United States and Latin America also increased strikingly. From a two-way total of \$3 billion in 1945 it rose to nearly \$9 billion in 1957. The trade balance, for the 12 years, 1946-1957, was against Latin America by some \$1.1 billion, largely due to its post-war buying splurge. If only the eight years, 1950-1957, are counted, Latin America was favored by more than \$2.2 billion. The United States, as before the war, remained an open and profitable market for Latin America.

In all, Latin America's growth rate over the period of the "'lost' conference" was good, if never as much as desired. The total annual gross domestic output, in constant prices, rose by more than 50 per cent between 1948 and 1958. This compared with 35 per cent for the United States, and 60 per cent for Europe. The per capita growth

rate, over the same period, was about two per cent a year, with five individual Latin American nations exceeding 2.5 per cent a year. At such rates, self-sustaining growth comes swiftly.

The extent to which the increases in private investment and trade, as well as the overall growth figures, were stimulated by jointly-determined U.S. and Latin American policies, is, of course, difficult to determine. That they had some positive effect, certainly, is without question. But the central moving force for such growth, inevitably, came from national policies, in Latin America and in the United States. Growth came, and would have come, regardless of the efforts of the Inter-American Economic and Social Council, the Economic Commission for Latin America, or other multilateral bodies, or the multitude of economic resolutions at the various conferences.

What the multilateral discussions did, then, was to stimulate the "development" psychology in Latin America, to refine thinking on development, to help form a body of economic data from which better conclusions could be drawn. So, in this sense, the "'lost' conference," despite the delays and frustrations in holding it, and its ultimate failure, was not entirely lost.

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